www.Peyto.com CIBC Whistler Conference January 2015

Advisory
Regarding Forward-Looking Statements

PEYTO Exploration & Development Corp.

This presentation contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, this presentation contains forward looking statements and information concerning Peyto Energy Trust ("Peyto") production; reserves, resources and gas in place; undeveloped land holdings; reserve life index; product mix; business strategy; future development and growth prospects, profile targets and rates; prospects; asset base; tax pools; drilling locations and inventory, down-spacing potential; exploration risk; access to capital; future cash flow, value, debt levels and debt to cash flow; capital investment and expenditure programs and the funding thereof; anticipated cash-on-cash yield; net asset value; credit facility; and statements with respect to levels of dividends to be paid to shareholders, dividend policy, and the timing of payment of such dividends.

The forward-looking statements and information are based on certain key expectations and assumptions made by Peyto, including expectations and assumptions concerning prevailing commodity prices and exchange rates, applicable royalty rates and tax laws; future well production rates; reserve and resource volumes; the performance of existing wells; the success obtained in drilling new wells; and the sufficiency of budgeted capital expenditures in carrying out planned activities; and the availability and cost of labour and services. Although Peyto believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward looking statements and information because Peyto can give no assurance that they will prove to be correct.

Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve and resource estimates; the uncertainty of estimates and projections relating to reserves, resources, production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions; ability to access sufficient capital from internal and external sources; and changes in legislation, including but not limited to tax laws, royalties and environmental regulations.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Peyto are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements and information contained in this presentation are made as of the date hereof and Peyto undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

The information contained in this presentation does not purport to be all-inclusive or to contain all information that a prospective investor may require. Prospective investors are encouraged to conduct their own analyses and reviews of Peyto and of the information contained in this presentation. Without limitation, prospective investors should consider the advice of their financial, legal, accounting, tax and other advisors and such other factors that they consider appropriate in investigating and analyzing Peyto.

Reserves
The recovery and reserve estimates of Peyto's crude oil, natural gas liquids and natural gas reserves provided in the presentation are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas liquids and natural gas reserves may be greater than or less than the estimates provided herein. Reserve and production volumes are quoted before royalty deductions.

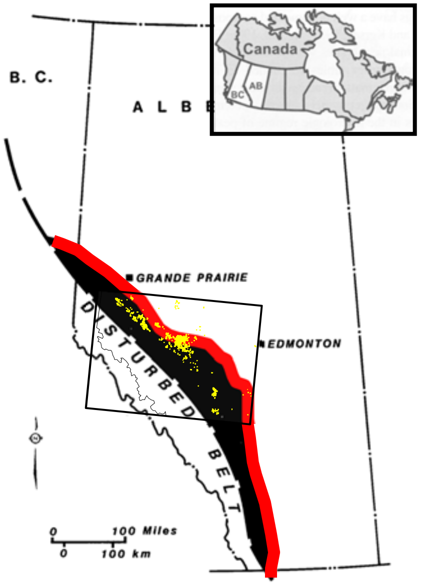
Barrels of Oil Equivalent
"Boe" means barrel of oil equivalent on the basis of 1 boe to 6,000 cubic feet of natural gas. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 1 boe for 6,000 cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Original Gas in Place
Original gas in place includes both discovered and undiscovered resources, and there is no certainty that any portion of the undiscovered resources will be discovered and, if discovered, that any volumes will be economically viable or technically feasible to recover or produce. Original gas in place also includes volumes that have already been produced from such accumulations. Readers should not unduly rely upon estimates of original gas in place in terms of assessing the combined company's reserves or recoverable resources.

Prices
All dollar values are quoted in Canadian currency.

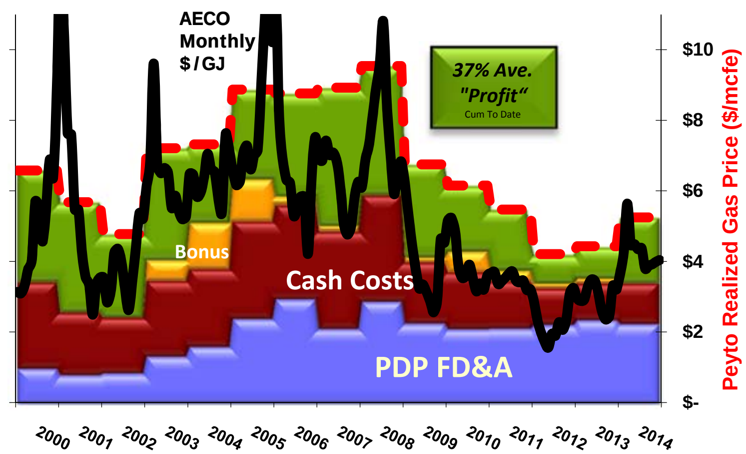
PEY.TO

Corporate Fact Sheet



- Pure Play Alberta Deep Basin - *85,000 boe/d Gas & NGLs*
- Returns Focused Strategy – *ROCE 18%, ROE 34% over last 15 yrs*
- Long Reserve Life Asset - *7 yrs PDP, 19 yrs P+P*
- Lowest Cost Producer - *$1.14/mcfe ($6.84/boe) 2014 ytd total cash costs*
- Own and Control - *Operate 99% of production, Own/operate gas plants*
- Exciting Growth Profile - *30% prod./share CAGR over last 5 yrs*

Monthly Dividend:	$0.11/share (incr. from $0.10 effective Nov/14)
Shares O/S:	153.9 million (4% insider ownership)
Current Production:	0.5 BCFe/d (85,000 boe/d)
Q3 2014 Net Debt:	$320 million (senior unsecured notes, 3.8-4.9%CND)
	$618 million ($1.0B unsecured bank facility)
	$938 million ($1.32B total capacity)
Enterprise Value:	$5.9 billion ($32/share)
Full Time Employees:	48



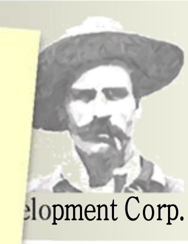
Cash costs are royalties, operating costs, transportation, G&A and interest
BOE factor - 6 mcf = 1 bbl of oil equivalent

www.Peyto.com

The Peyto Strategy

Counter Cyclical With A Tailwind

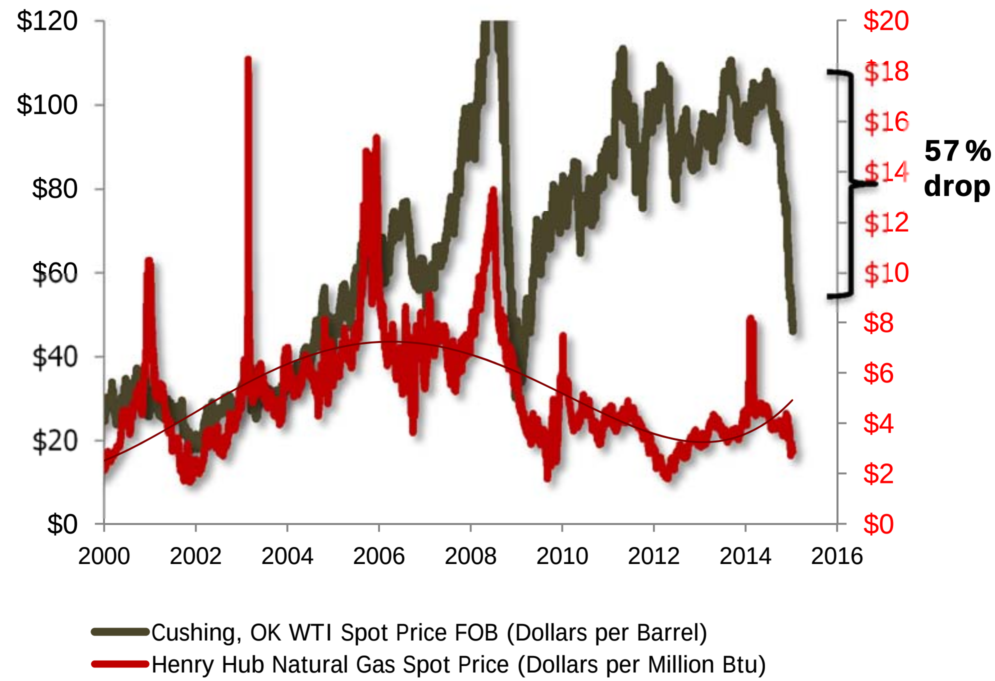
"A drop in oil price for a gas producer means lower service costs, lower fuel costs and less competition from oil producers for energy services – which more than offsets the loss in condensate revenue."



>50%

Oil Price Drop

US Oil and Natural Gas Prices (6:1)



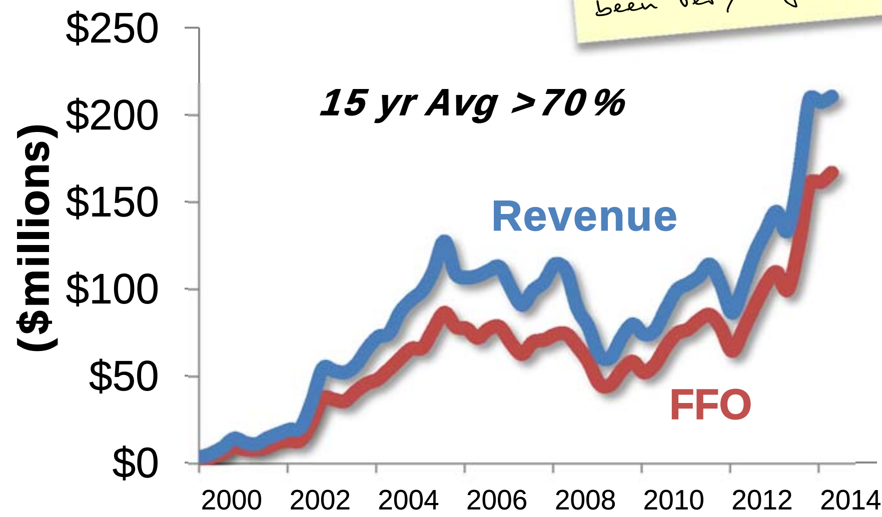
The Peyto Strategy

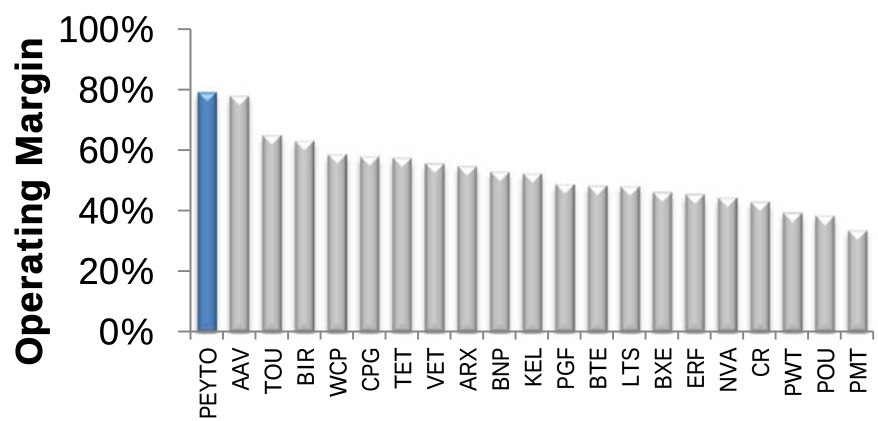
High Operating Margin

"Low costs drive strong margins and profits, which protects you against volatile commodity prices. Peyto's operating margin has always been very high."

79%

Peyto Operating Margin (Q3/2014)





Funds from Operations ("FFO") is defined as earnings before performance based compensation, non-cash and non-recurring expenses.
Operating Margin is defined as funds from operations divided by revenue before royalties but including realized hedging gains/losses.

The Peyto Strategy

High Operating Margin Illustration

"A 30% drop in prices has a much larger impact on a low margin producer than a high margin producer like Peyto. High costs are magnified when prices fall."

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	Industry Average			Peyto		
	Before	After	*Change*	Before	After	*Change*
Revenue	$100	$70	*-30%*	$100	$70	*-30%*
Costs	$50	$50		$20	$20	
Profit	$50	$20	*-60%*	$80	$50	*-38%*
Cashflow Margin	50%	29%	*-43%*	80%	71%	*-11%*

A 30% drop in commodity prices/revenue causes a 60% drop in netbacks/profits

A 30% drop in commodity prices/revenue only causes a 38% drop in netbacks/profits

Dollar figures and margin calculations are for illustration purposes only.

The Peyto Strategy

What We Believe

"If we are successful, we believe we can make more money for our shareholders and ourselves."

PEYTO Exploration & Development Corp.

- ***"We believe nature's gas is the fuel for the future."***
- ***"We believe we can make a <u>real</u> profit by being the lowest cost, most efficient producer in the industry."***
- ***"We believe in partnering with shareholders to make that profit, not by trying to make your money our money."***

The Peyto Strategy

How We Do It

"Basically, we strive to be the smartest (both with ideas and execution), build the best, and make the most for our stakeholders."

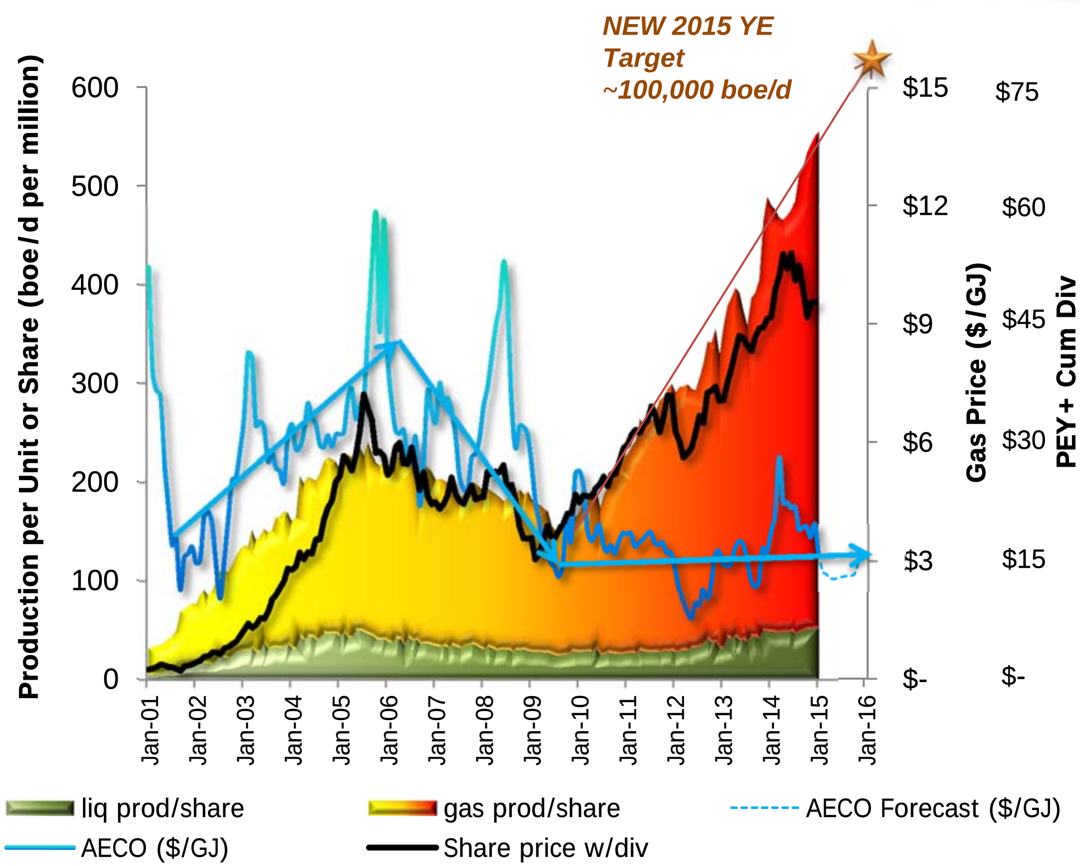
PEYTO
Exploration & Development Corp.

- Invest in our own ideas
- Build it ourselves
- Operate it ourselves
- Focus on maximum return
- Stay concentrated, lean & efficient

The Peyto Strategy

Growth per Share

"Since the adoption of horizontal multi-stage frac well designs in 2009, Peyto has been growing production per share at a CAGR of over 30%, in a $3 gas world. That is forecast to continue in 2015."



30%

5 Yr Prod/share growth rate

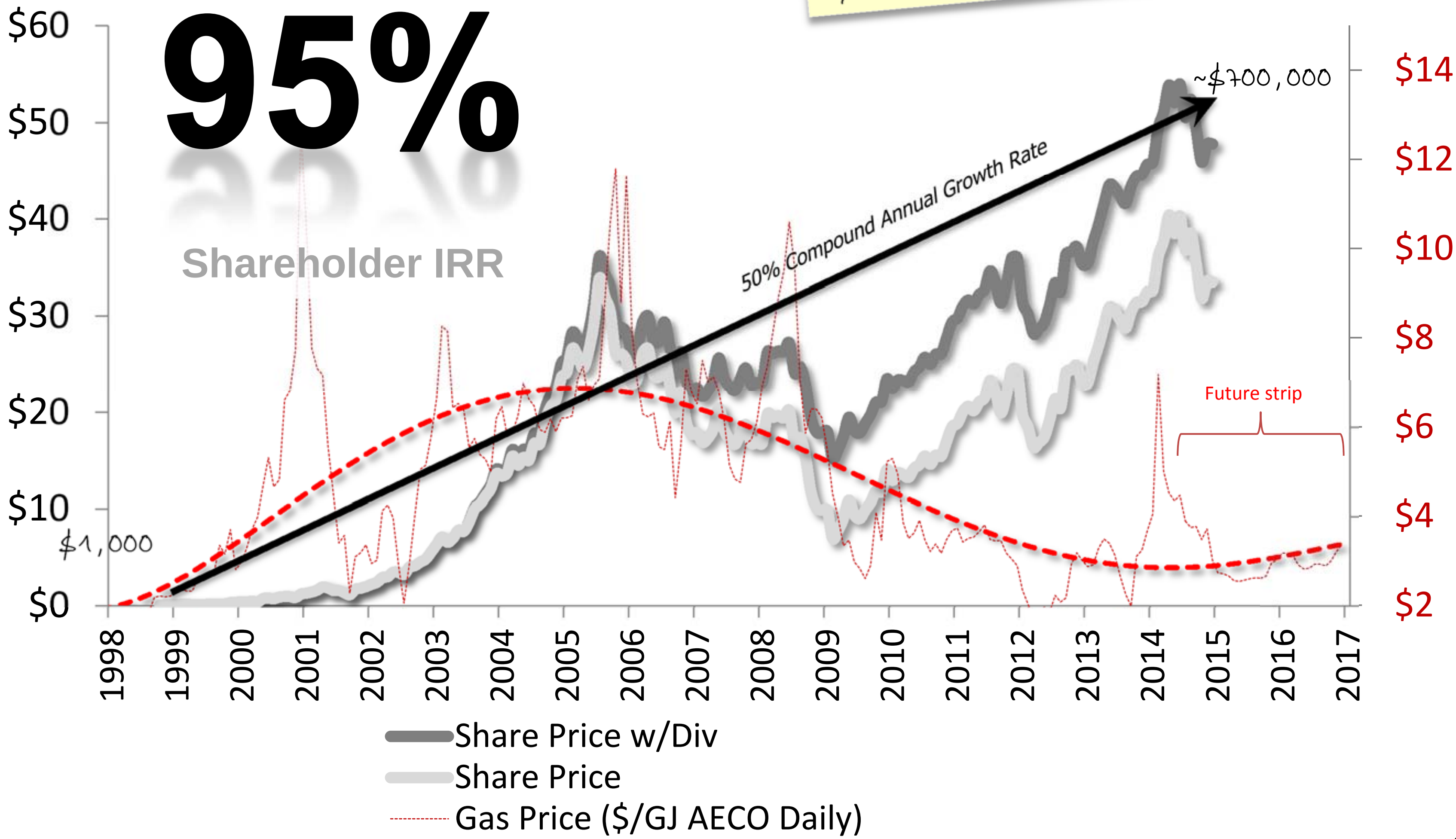
Historical Per Unit (share) and Units (shares) Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split

BOE factor - 6 mcf = 1 bbl of oil equivalent

The Peyto Strategy

Superior Shareholder Returns

"In simple terms, $1k invested into Peyto 15 yrs ago, would be worth approx. $700k today! That's a shareholder IRR of 95% and not surprisingly, done counter-cyclical to the gas price."



Historical Per Unit and Units Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
Oct 23,1998 price of $0.075/share, Dec 31/14 price of $33.47/share, Cum Dist./Div. to Dec 31/2013 $14.33

Peyto's Profitable Business

PEYTO
Exploration & Development Corp.

Peyto's Profitable Business

"Build it for less than we sell it"

"A simple cost analysis shows where Peyto's profits come from. PDP FD&A is a good proxy for replacement cost and tends to match real depletion."

	PEY 2014 to Q3	PEY 2013
PDP FD&A $/mcfe	~($2.35)*	($2.35)
Cash Costs $/mcfe	($1.14)	($1.06)
Sales Price $/mcfe	$5.17	$4.43
Profit $/mcfe	~$1.68	$1.02
	33%	*23%*
Dividend $/mcfe	*$1.04*	*$1.01*

Land/Acq	$9MM
Seismic	$3MM
Drilling	$254MM
Compl.	$152MM
Wellsite	$48MM
Facilities	$112MM
	$578MM
ΔPDP Reserves (before Prod.)	41.0 mmboes
PDP FD&A	$14.09/boe
	$2.35/mcfe

Royalties	($0.31)
Opex	($0.35)
Transport	($0.12)
G&A	($0.04)
Interest	($0.24)
Total Costs	($1.06/mcfe)

$3.01/GJ AECO daily
X 144%[1]
$4.32/mcfe
$0.11/mcfe hedging
$4.43/mcfe Peyto Realized

BOE factor - 6 mcfe = 1 bbl of oil equivalent

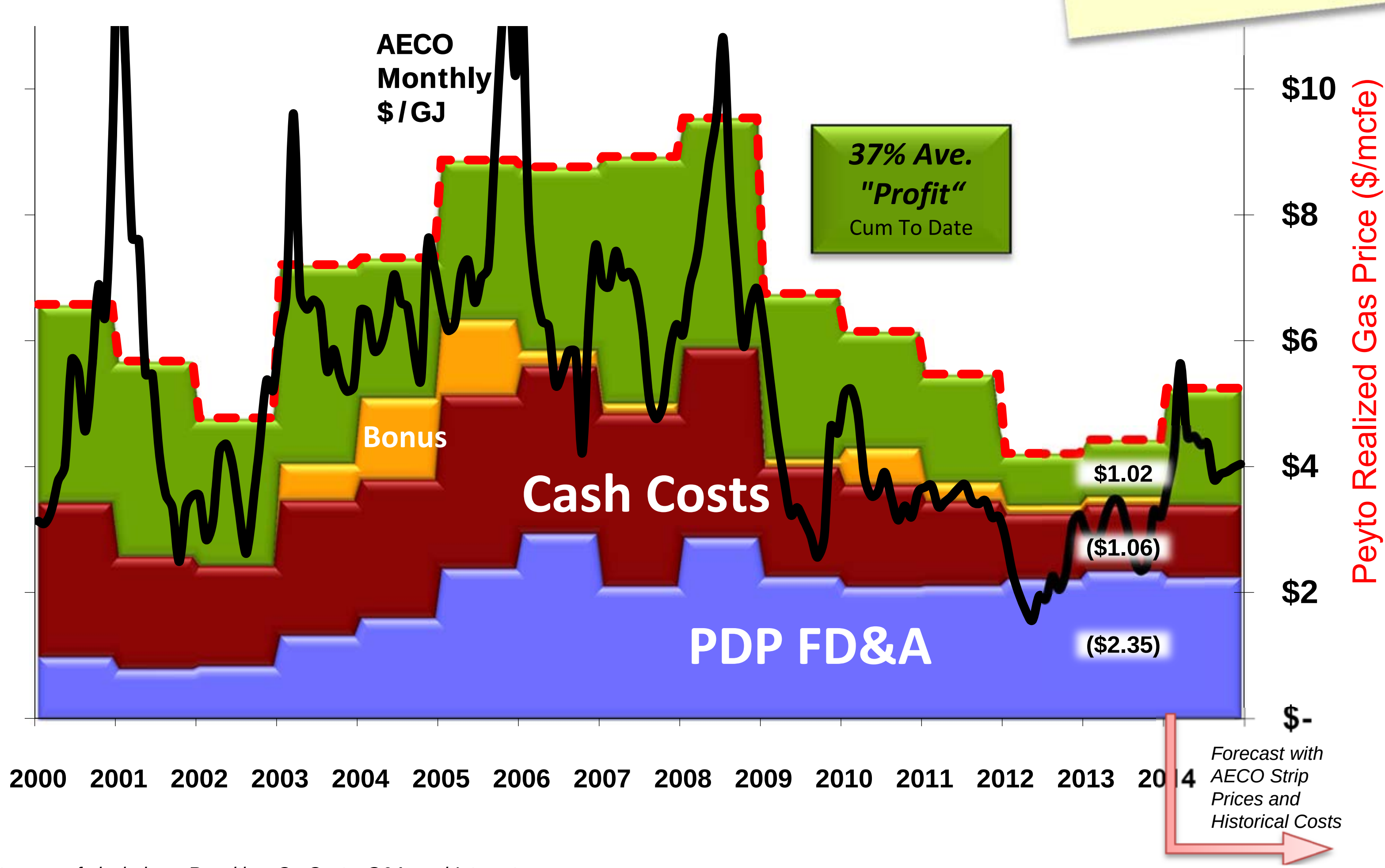
[1] 2013 uplift for NGLs and heat content from average Alberta daily natural gas price ($/GJ)

** 2014YTD PDP FD&A assumes the same as 2013. The actual 2014 PDP FD&A will not be determined until Feb/15 when the independent year end reserve report is published*

Peyto's Profitable Business

Profitable Even Through The Lows

"Peyto has always built it and produced it for less than we sell it, despite where we are in the commodity price cycle. That's the power of the low cost producer."



Total Cash Costs per mcfe includes – Royalties, Op Costs, G&A, and Interest
PDP FD&A – Proved Developed Producing Finding Development & Acquisition Costs

Peyto's Profitable Business

Profitability Challenges for the Canadian Gas Industry

"The larger, gas focused entities that survived are still challenged to consistently build it and produce it for less than the sales price."

	2013	2012	2011	2010[1]
PDP FD&A $/mcfe	($2.93)	($3.43)	($3.68)	($3.11)
Cash Costs $/mcfe	($3.13)	($2.98)	($3.31)	($3.19)
Supply Cost	**($6.06)**	**($6.41)**	**($6.99)**	**($6.30)**
Sales Price $/mcfe	$6.56	$5.91	$6.95	$6.56
Profit/(Loss)	$0.50	($0.50)	($0.05)	$0.27

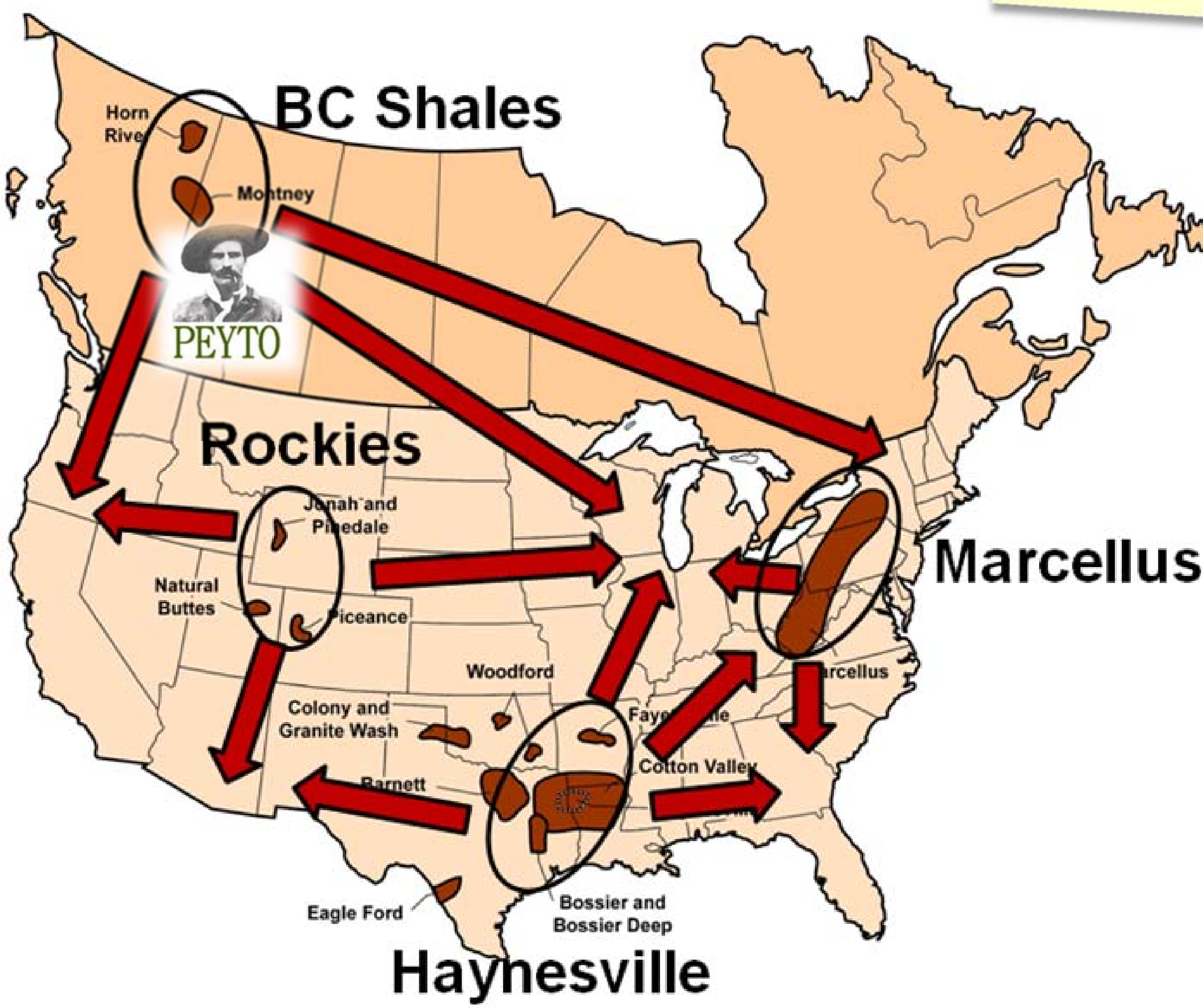
**Includes: ARX,BIR,BNP,BXE,ERF,TET,TOU (>20,000 boe/d, >55% gas, >$1B Market Cap)*

1. ERF 2010 N/A

Peyto's Profitable Business

Competitive In The North American Marketplace

"We have to be competitive not only in Canada but across North America."



Source: IHS CERA

Peyto's Profitable Business

*Profitability By Basin – 5 yr. Average**

"Regardless of the basin, over the longer period Peyto's profitability stands above the rest."

orp.

	100% Deep Basin - PEY	80% Marcellus – Cabot*	75% Rockies – Ultra*	70% Haynesville – Exco**
PD FD&A $/mcfe	($2.21)	($3.08)	($3.47)	($2.89)
Cash Costs $/mcfe	($1.37)	($2.05)	($1.50)	($2.40)
Supply Cost	($3.58)	($5.13)	($4.97)	($5.29)
Sales Price $/mcfe	$5.40	$5.63	$4.92	$3.87
Profit/(Loss)	$1.82	$0.50	($0.05)	($1.42)

*Average Revenue, PD FD&A and cash costs (LOE, Transp., gathering, processing, Royalty or Ad Valorem, G&A and interest) per mcfe for last 5 years from 10k reports.
**Provided by BMO

Peyto's Unique Assets

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Peyto's Assets

Geographically Focused Core Areas

"Peyto operates 99% of its production and processes 97% of that production through its nine owned and operated gas plants. Concentration and control are how you achieve low costs."

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97%

Processed by Peyto

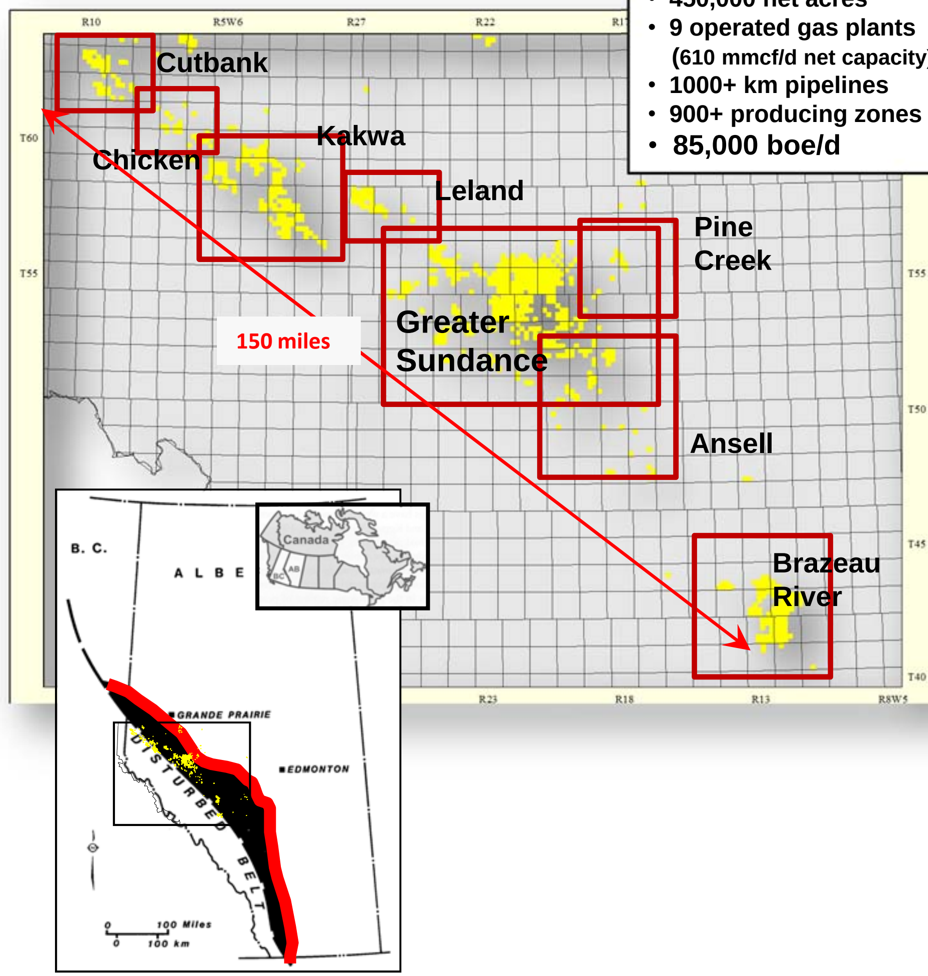
99%

Operated by Peyto

97%

Interest in 9 Processing Facilities

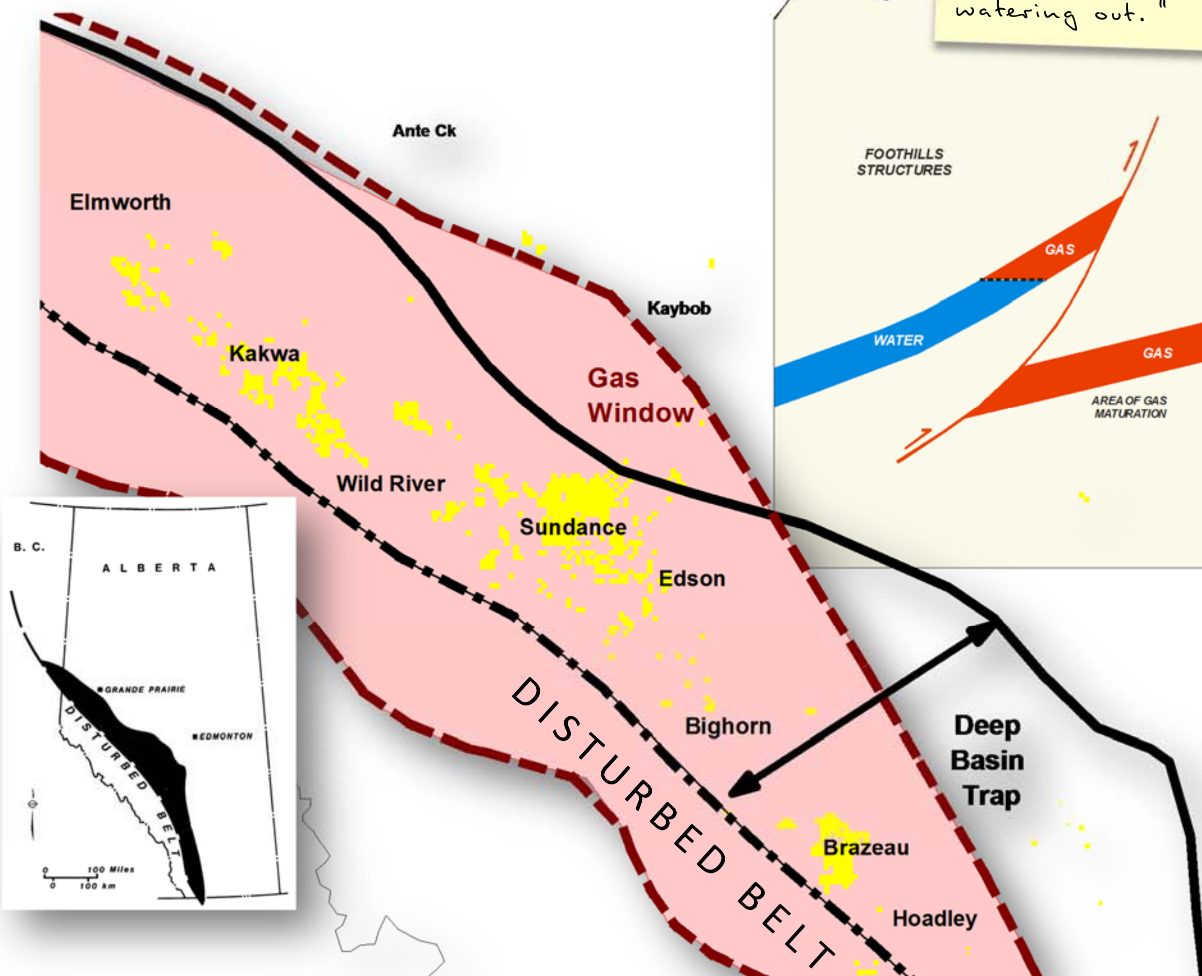
- 450,000 net acres
- 9 operated gas plants (610 mmcf/d net capacity)
- 1000+ km pipelines
- 900+ producing zones
- 85,000 boe/d

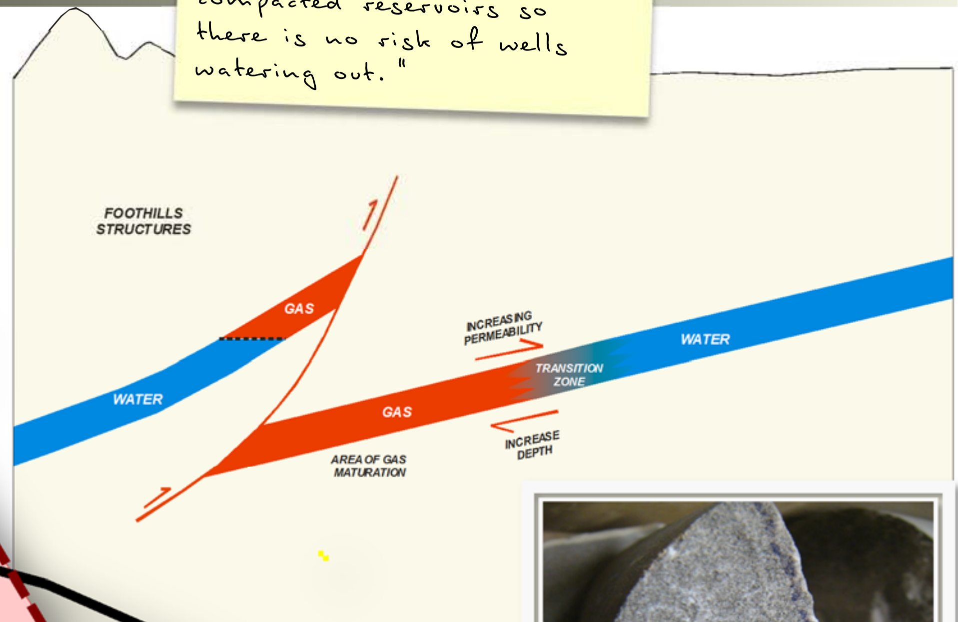


Peyto's Assets

Deep Basin Permeability Segregation

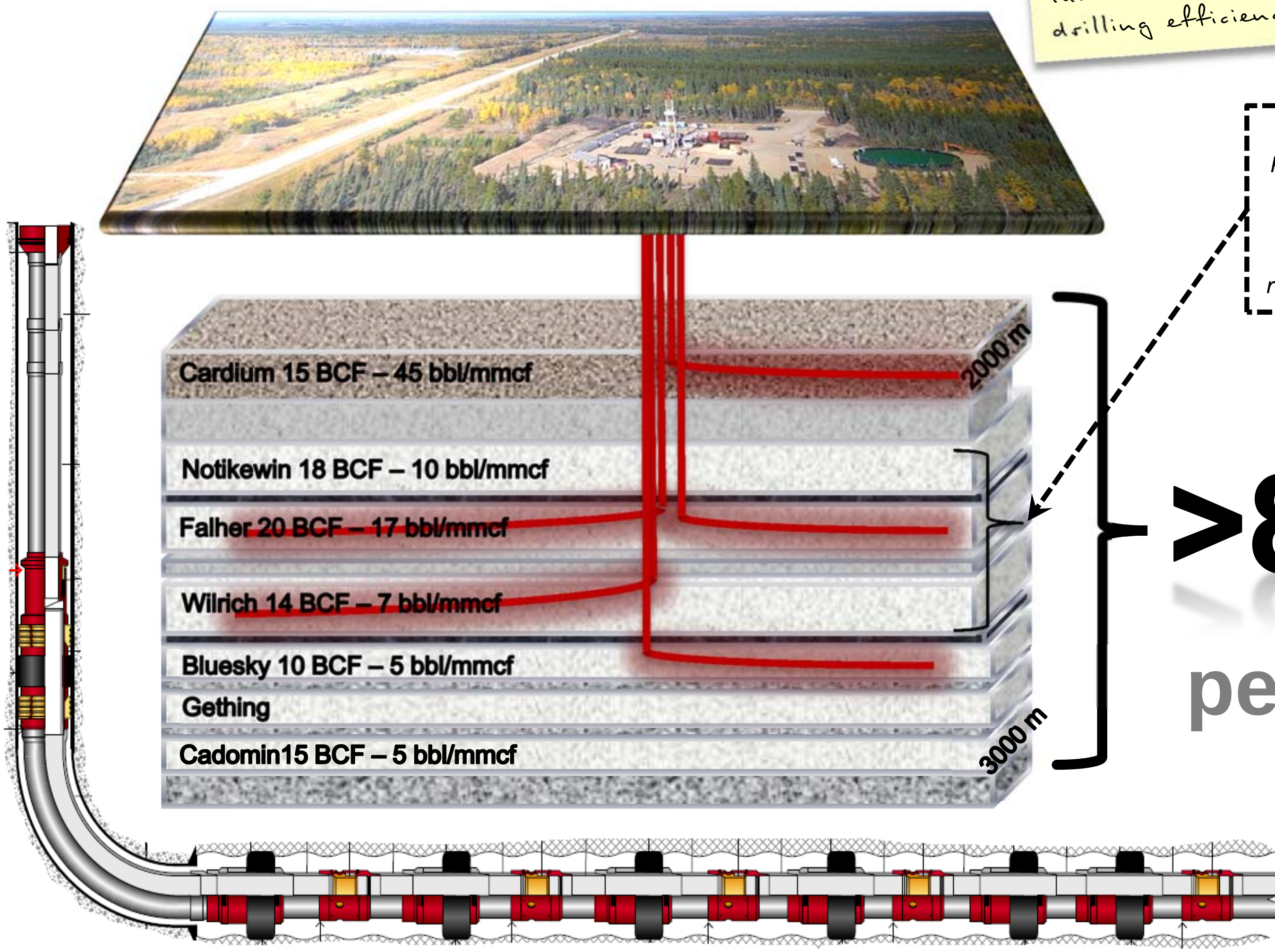
"The Deep Basin is a permeability trap, because the fluids in the updip position can't travel through these fine grained, tightly compacted reservoirs so there is no risk of wells watering out."





Peyto's Assets
Multi Zone Stacked Sandstone Reservoirs

"Large resource potential, in a concentrated, stacked package, that can be developed with modern horizontal MSF well design and allows us to take advantage of pad drilling efficiencies."



Detailed Petrophysical work on the Spirit River sands revealed >30% more reserves per section

Up to >80 BCF per section*

***NGL recoveries can increase by 15+ bbl/mmcf with deeper cutting processing facilities**
Reserves are 2P recoverable in a section at 85% RF

Peyto's Assets

Production By Formation

"The Wilrich, Notikewin and Falher sands of the Spirit River Group have provided the majority of our growth since the implementation of horizontal MSF wells. Look for the Bluesky next."

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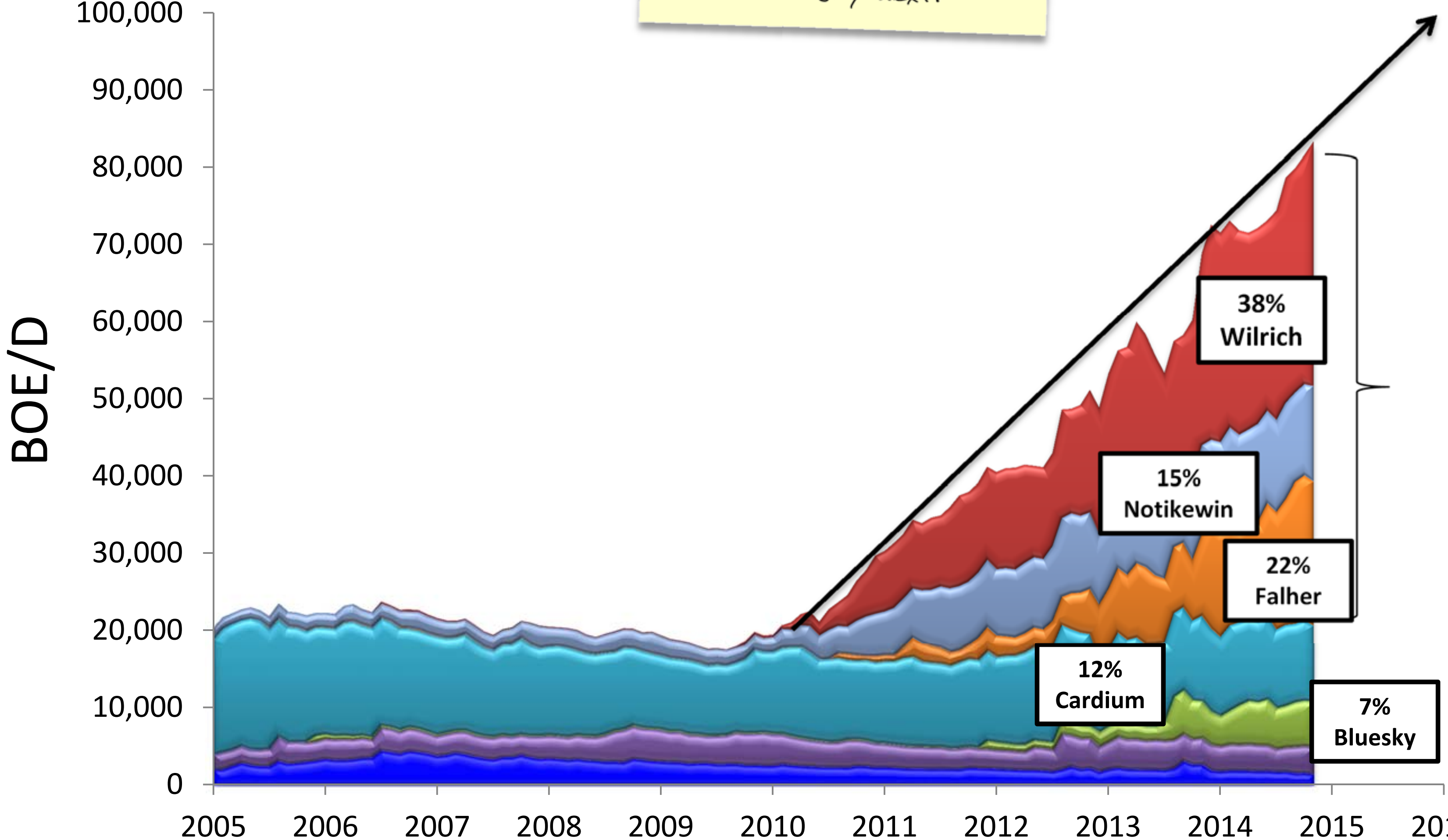

Peyto's Assets

Deep Basin Lands Go A Long Way

"Peyto's land in the Deep Basin is more potent due to the multiple stack formations which more than triples the drillable acreage. We add to that land each year through crown land sales."

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Exploration & Development Corp.

701

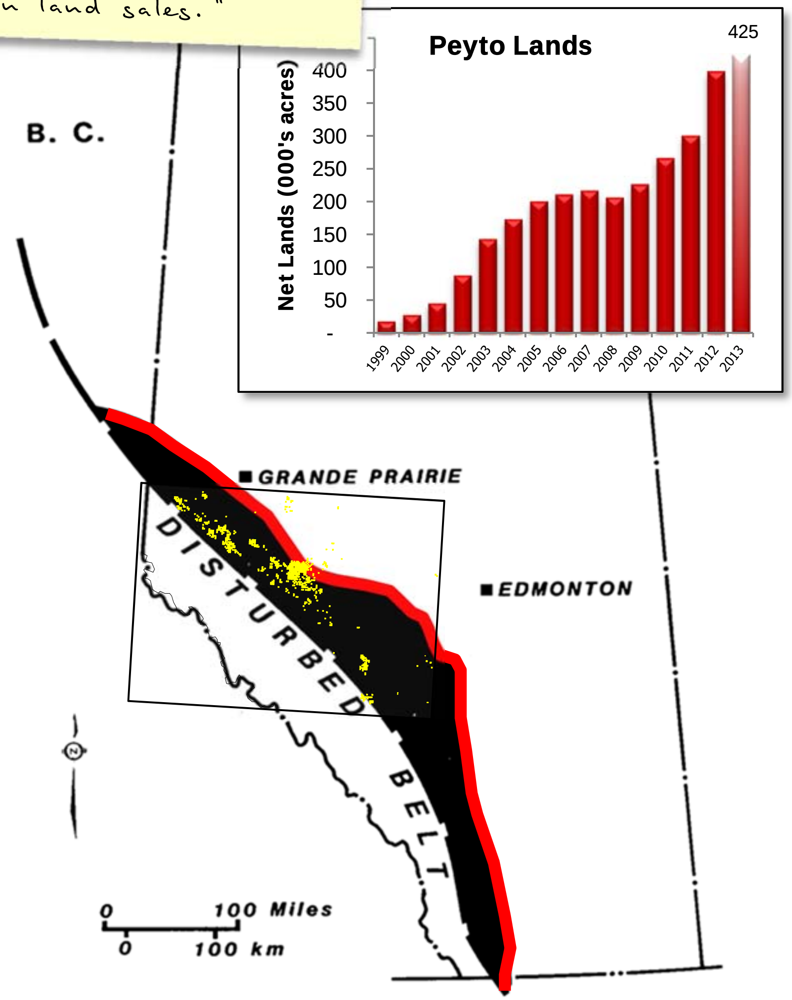
Net Peyto Sections

2,684

Net Sections of Cardium, Dunvegan, Notikewin, Falher, Wilrich, Bluesky, & Cadomin

168

Net Sections for 2.0 TCFe of PD EUR*

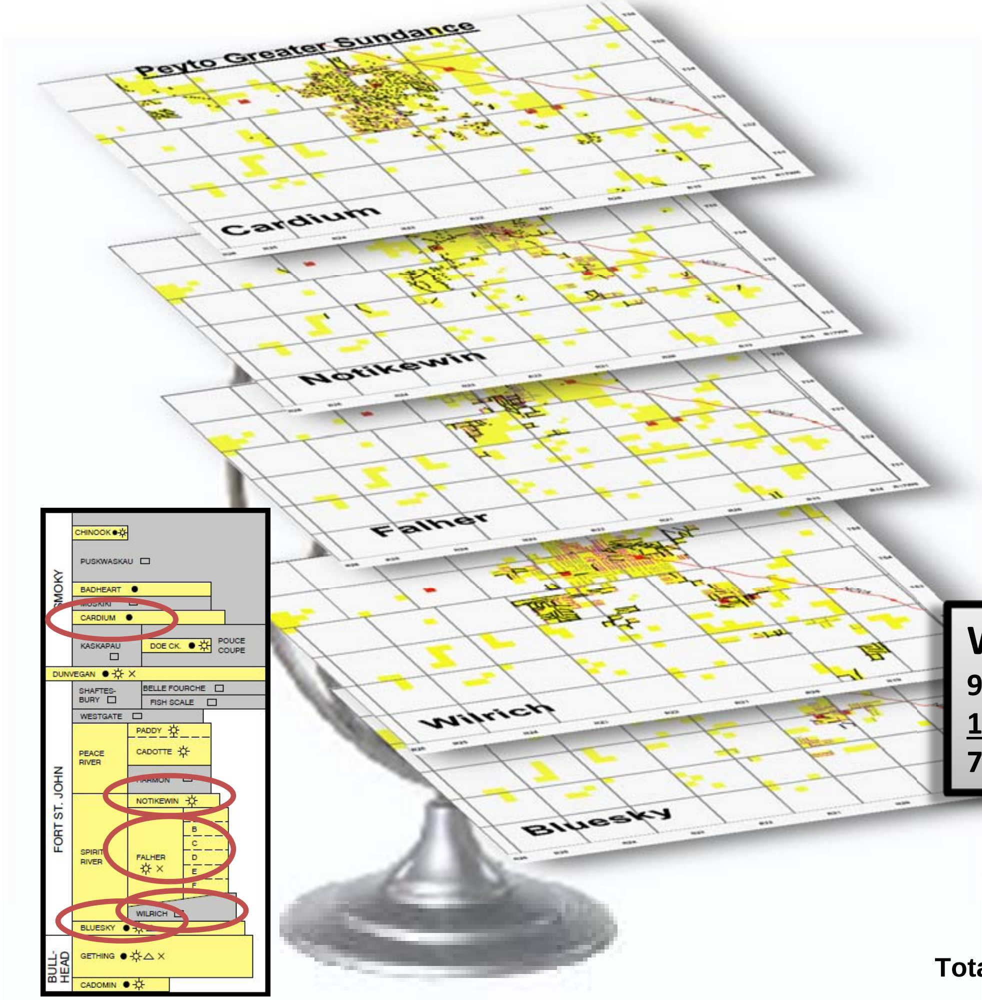


TCFe of PD EUR – Trillion Cubic Feet equivalent of Proven Developed Estimated Ultimate Recoverable
**Based on InSite Petroleum Consultants Dec 31, 2013 Reserve Report.*
Lands at June 30, 2014

Peyto's Assets

3-Dimensional Land Base Holds Large Potential

"Over 89% of Peyto's land base remains unbooked and undeveloped and that's even after the next 628 locations are drilled. We are really just scratching the surface of our potential."



Cardium (368,433 net acres)
9.1% of land developed in 474 Vt/Hz producers (70 acres/well)
4.9% of land booked in 200 Hz locations (90 acres/well)
86% of land remains potential (316,970 net acres)

Notikewin (247,681 net acres)
7.0% of land developed in 182 Vt/Hz producers (95 acres/well)
3.7% of land booked in 87 Hz locations (100 acres/well)
89.3% of land remains potential (221,116 net acres)

Upper Falher (244,205 net acres)
1.6% of land developed in 38 Hz producers (100 acres/well)
1.4% of land booked in 37 Hz locations (90 acres/well)
97% of land remains potential (237,023 net acres)

Middle Falher (244,205 net acres)
0.8% of land developed in 28 Hz producers (70 acres/well)
1.5% of land booked to 56 Hz locations (65 acres/well)
97.7% of land remains potential (238,528 net acres)

Wilrich (243,885 net acres)
9.5% of land developed in 144 Hz producers (160 acres/well)
12.0% of land booked in 179 Hz locations (160 acres/well)
78.5% of land remain potential (191,482 net acres)

Bluesky (186,506 net acres)
5.1% of land developed in 47 Hz producers (200 acres/well)
5.0% of land booked to 47 Hz locations (200 acres/well)
90% of land remains potential (167,769 net acres)

Total of 6 zones: 1,534,915 net acres – 2,208 net sections
89,361 net acres developed (5.8%)
72,666 net acres booked as PU or PA (4.7%)
1,372,888 net acres remaining

**Based on InSite Petroleum Consultants Dec 31, 2013 Reserve Report.*
Total Peyto Lands at December 31, 2013

Peyto's Assets

Large Hz MSF Inventory

"Peyto has developed almost 2.0 TCFe using vertical and now horizontal wells. But there is a lot more to do. More than 15 years worth of drilling inventory."

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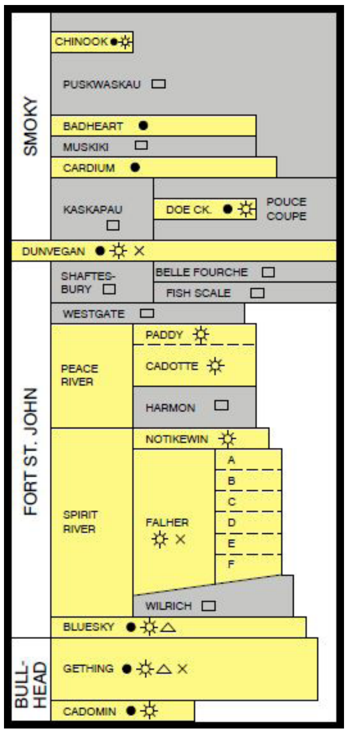


Done[1]: Total Vertical Wells	Done[1]: Total Hz Wells	To Do: Total Hz Locations Booked*	To Do: Total Hz Locations Unbooked
			56
432	63	200	356
5	1	5	
1			14
90	56	87	43
7	27	37	23
	27	56	254
		1	
14	136	179	192
4	14	47	48
12	2		
87	2	16	177
652	328	628	1163

Over 1700 locations

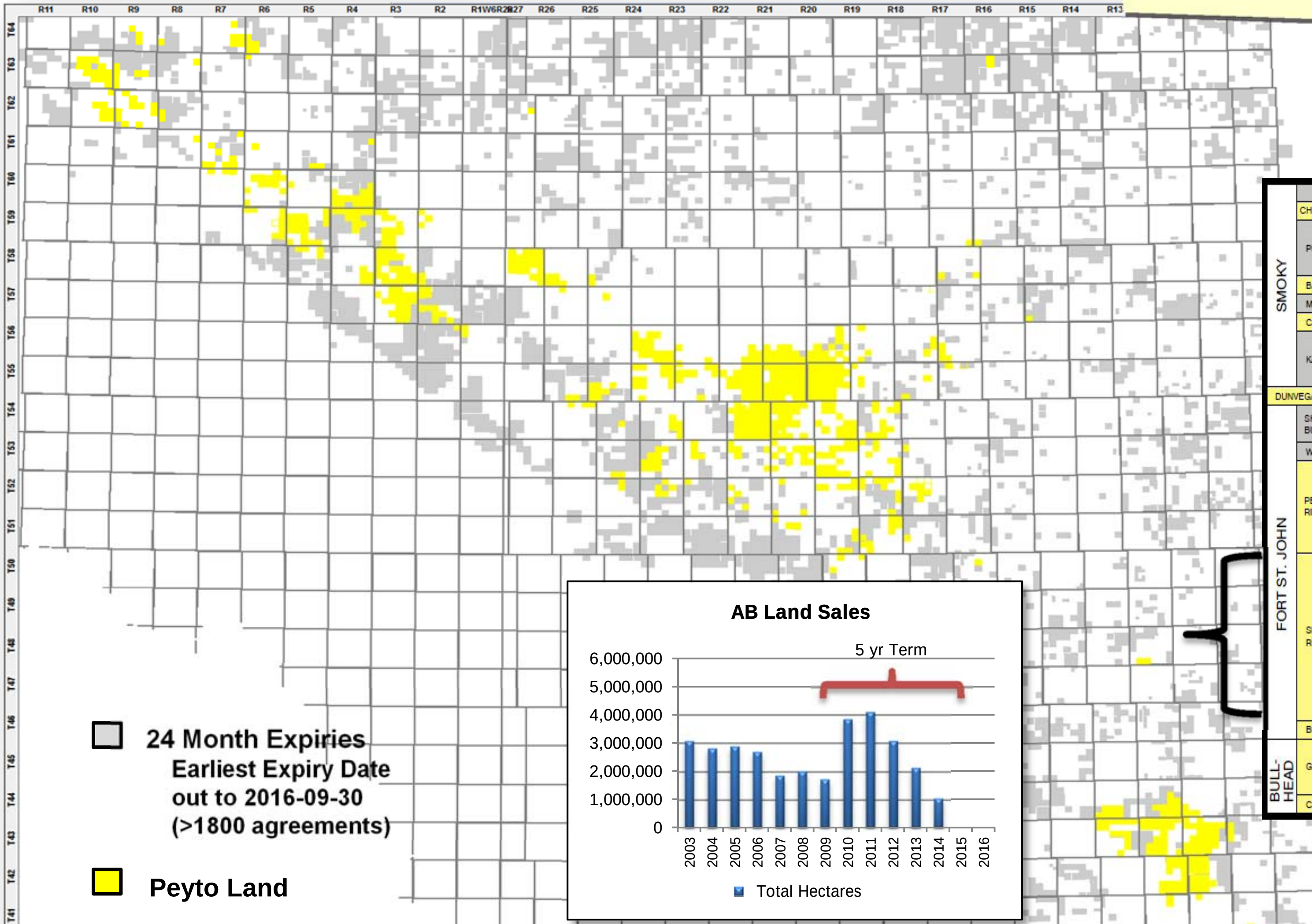
1. Drilling to Dec 31, 2013

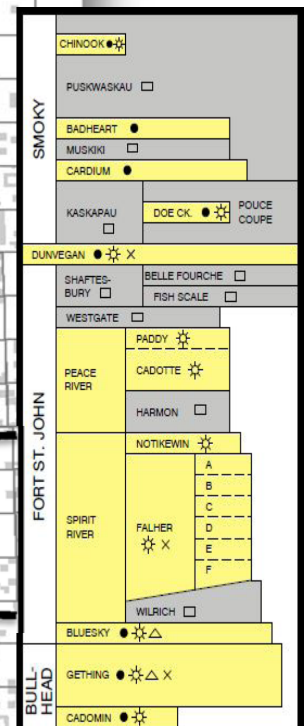
*As recognized in the IPC independent reserve report dated Dec. 31, 2013

Peyto's Assets

Spirit River Group Potential Land Expiries

"2010/11 were big land sale years in Alberta. Now, 5 yrs later those lands are potentially coming up for expiry. That translates into opportunity for Peyto."





Peyto's Assets

Greater Sundance Area

"The Greater Sundance Area continues to grow, much like a city with new subdivisions and infrastructure.."

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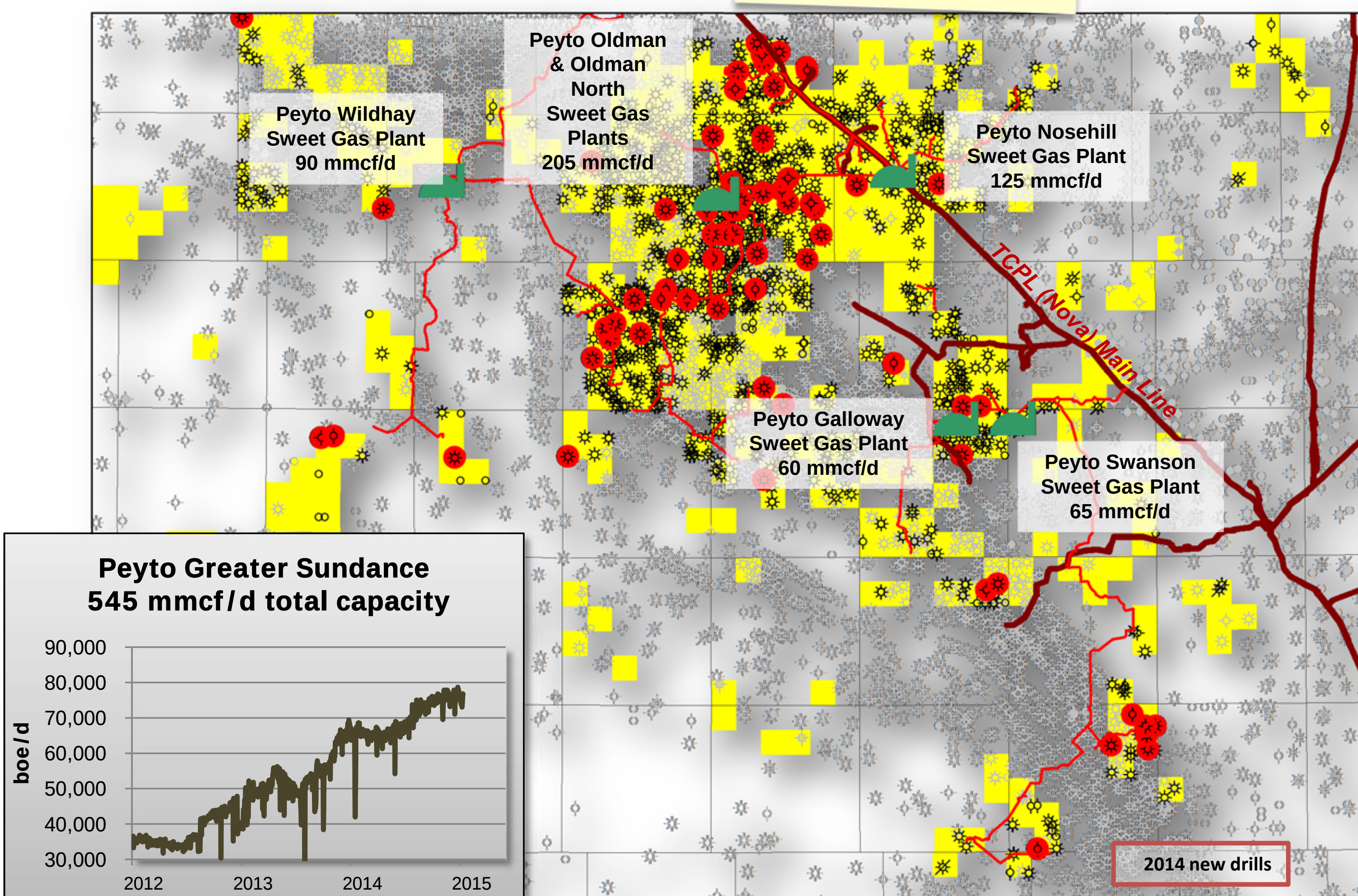

Peyto's Assets
Brazeau River Area

"The new Brazeau area is well positioned on the TCPL system and existing roadways. Peyto's new sweet facility is a much cheaper solution than old, sour gas plants nearby."

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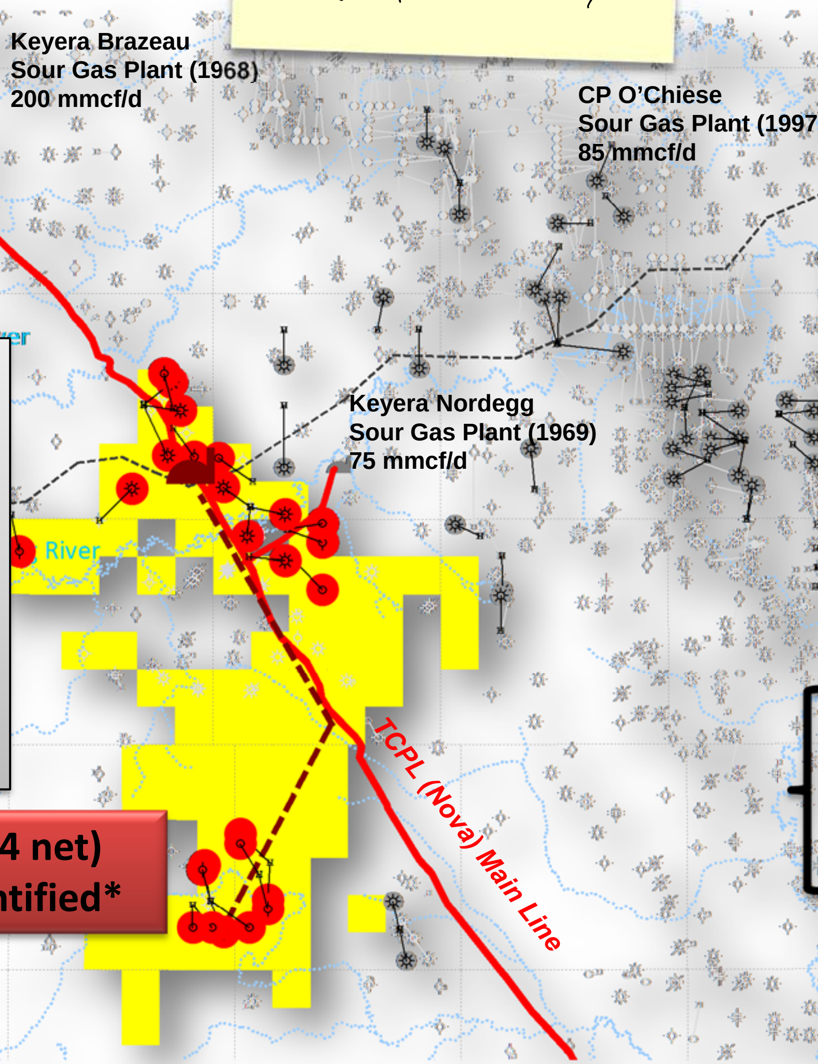

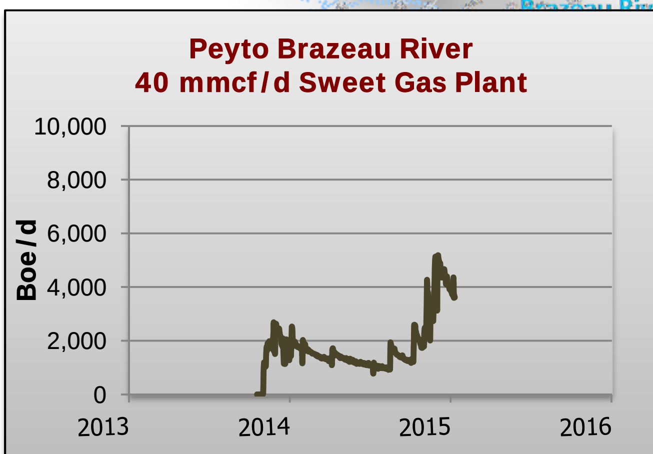

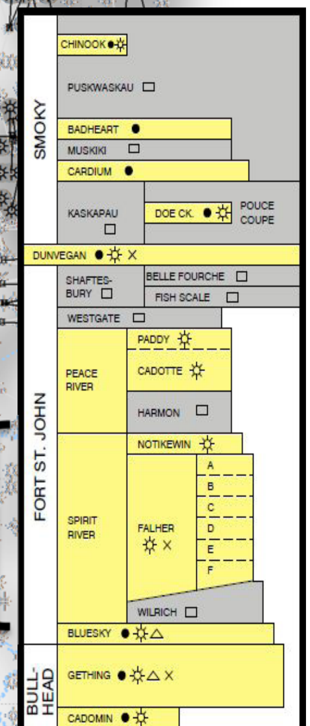

Land: 115.5 sections gross (114 net)
>275 potential SR locations identified*

** Locations are internally identified from Peyto's geological /geophysical mapping*

Peyto's Assets

Facility Ownership and Control

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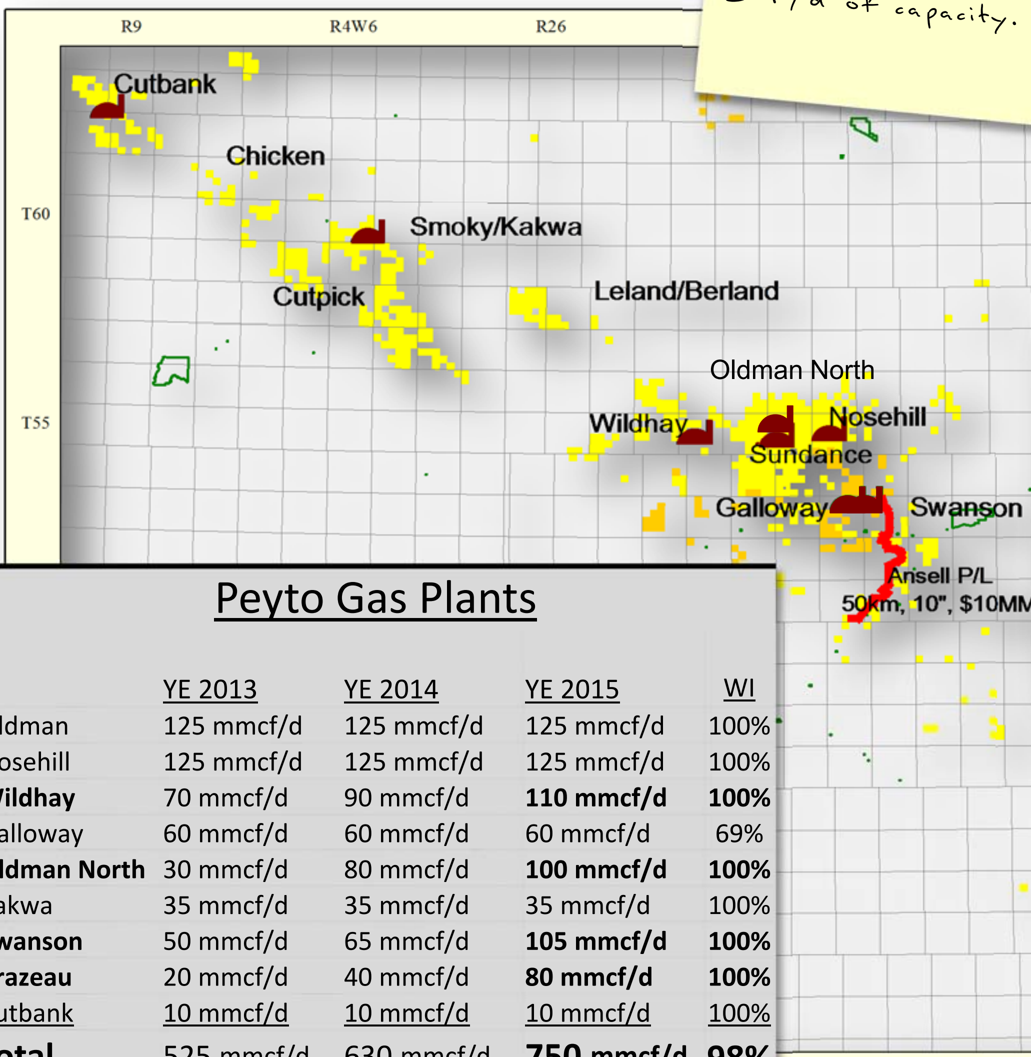
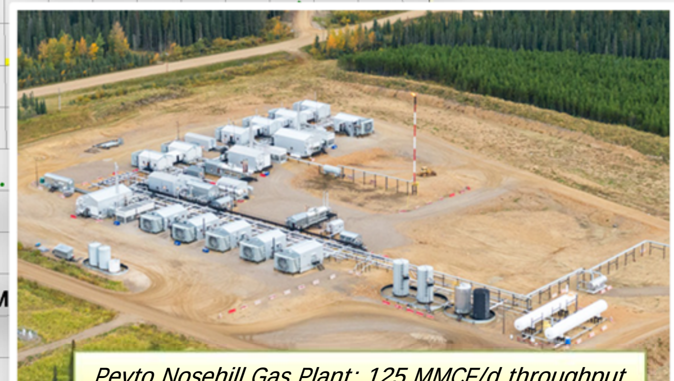
Exploration & Development Corp.

"2015 budget includes expansion work at 3 of Peyto's gas plants. In total, that will be 9 plants with over 0.75 BCF/d of capacity."





Peyto Nosehill Gas Plant: 125 MMCF/d throughput

Peyto Gas Plants

		YE 2013	YE 2014	YE 2015	WI
1	Oldman	125 mmcf/d	125 mmcf/d	125 mmcf/d	100%
2	Nosehill	125 mmcf/d	125 mmcf/d	125 mmcf/d	100%
3	**Wildhay**	70 mmcf/d	90 mmcf/d	**110 mmcf/d**	**100%**
4	Galloway	60 mmcf/d	60 mmcf/d	60 mmcf/d	69%
5	**Oldman North**	30 mmcf/d	80 mmcf/d	**100 mmcf/d**	**100%**
6	Kakwa	35 mmcf/d	35 mmcf/d	35 mmcf/d	100%
7	**Swanson**	50 mmcf/d	65 mmcf/d	**105 mmcf/d**	**100%**
8	**Brazeau**	20 mmcf/d	40 mmcf/d	**80 mmcf/d**	**100%**
9	Cutbank	10 mmcf/d	10 mmcf/d	10 mmcf/d	100%
	Total	525 mmcf/d	630 mmcf/d	**750 mmcf/d**	**98%**

Peyto's Assets
Longest Reserve Life

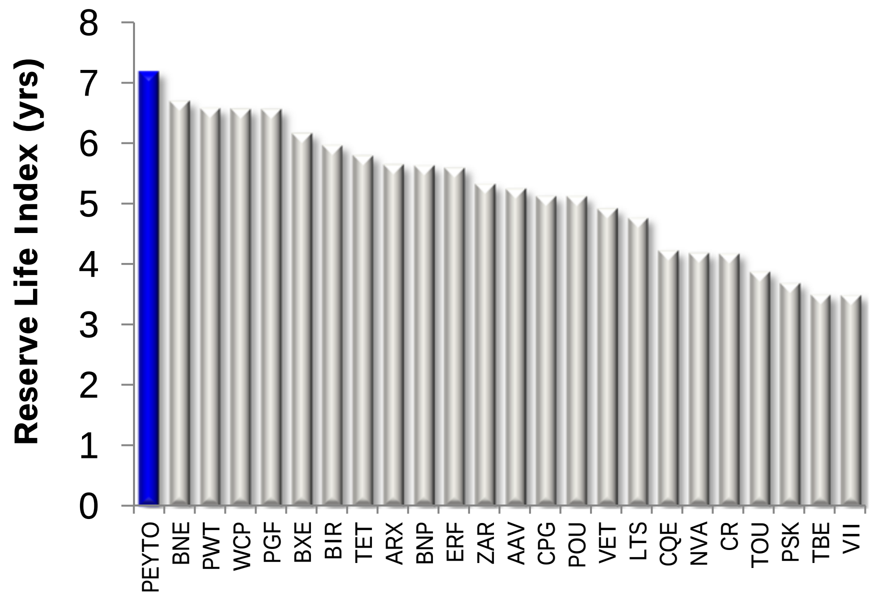
"Peyto is a pure play unconventional tight gas company. Others may claim to have long reserve life assets but only because they are measuring current production against undeveloped reserves, not the reserves associated with the current production."

7

Peyto 2013 PP RLI (yrs)

5

Industry 2013 PP RLI (yrs)

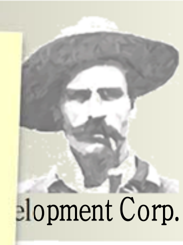


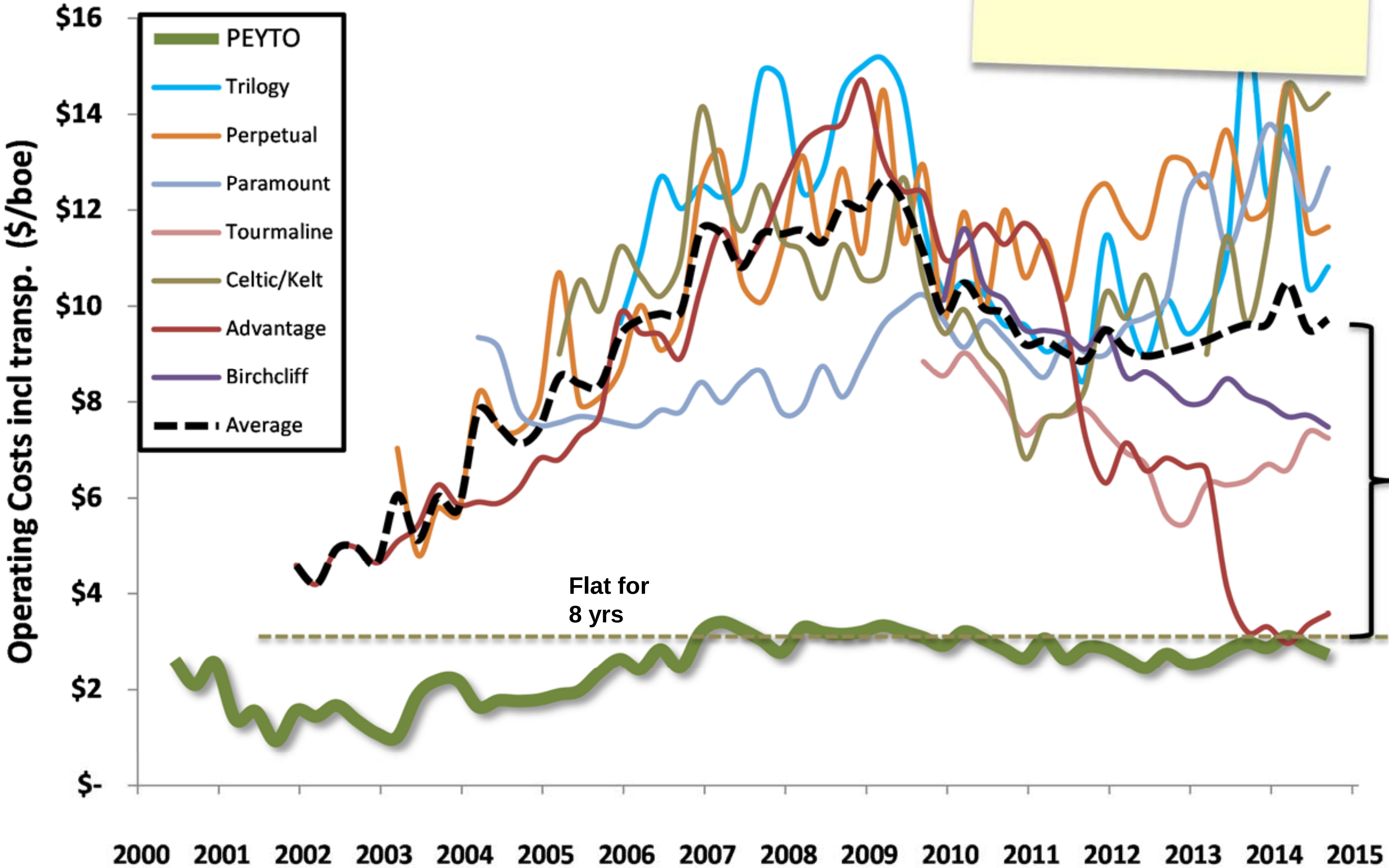
2013 Year End Proved Producing Reserve Life (using Q4 2013 production rate).
Source: Company AIF & Financials

Peyto's Assets

Lowest Operating Costs – Gas Producers

"If all we had was our op cost advantage that would be significant but our other cash costs are low too!"





How?

- ***We operate***
- ***Full facilities***
- ***No water***
- ***No sour***
- ***Chemical recycle***
- ***Nat gas fuel***
- ***Continuous innovation***

BOE factor - 6 mcf = 1 bbl of oil equivalent
Operating costs include transportation. (Advantage op costs include $0.25/mcf reported transportation costs)

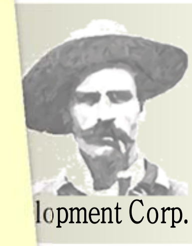
Peyto's Incredible Returns

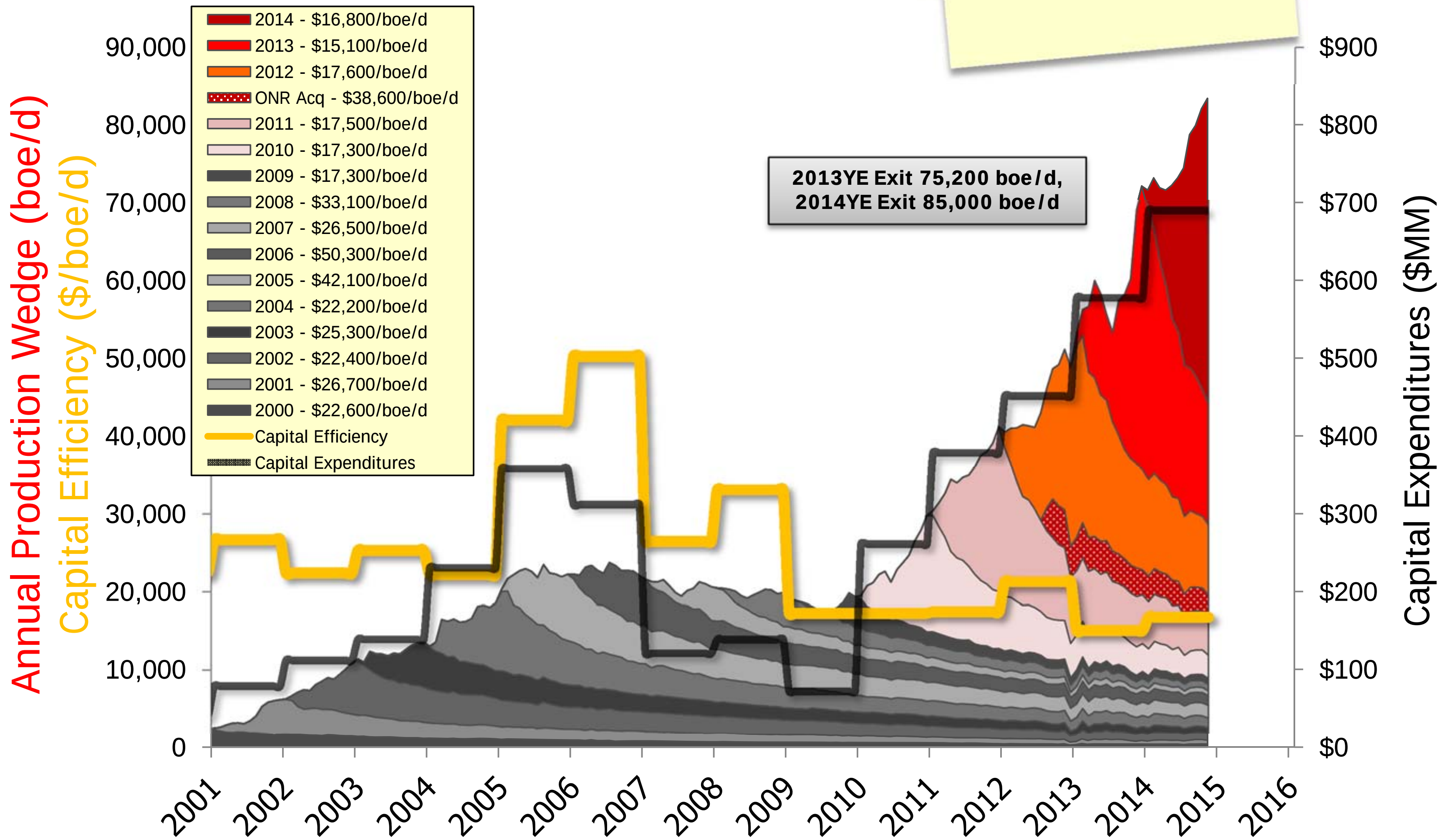
PEYTO
Exploration & Development Corp.

Peyto's Returns

Focus on Returns Drives Capital Discipline

"Rapidly growing capital programs and total production is not unique. Doing it profitably, is what sets Peyto apart from the rest."



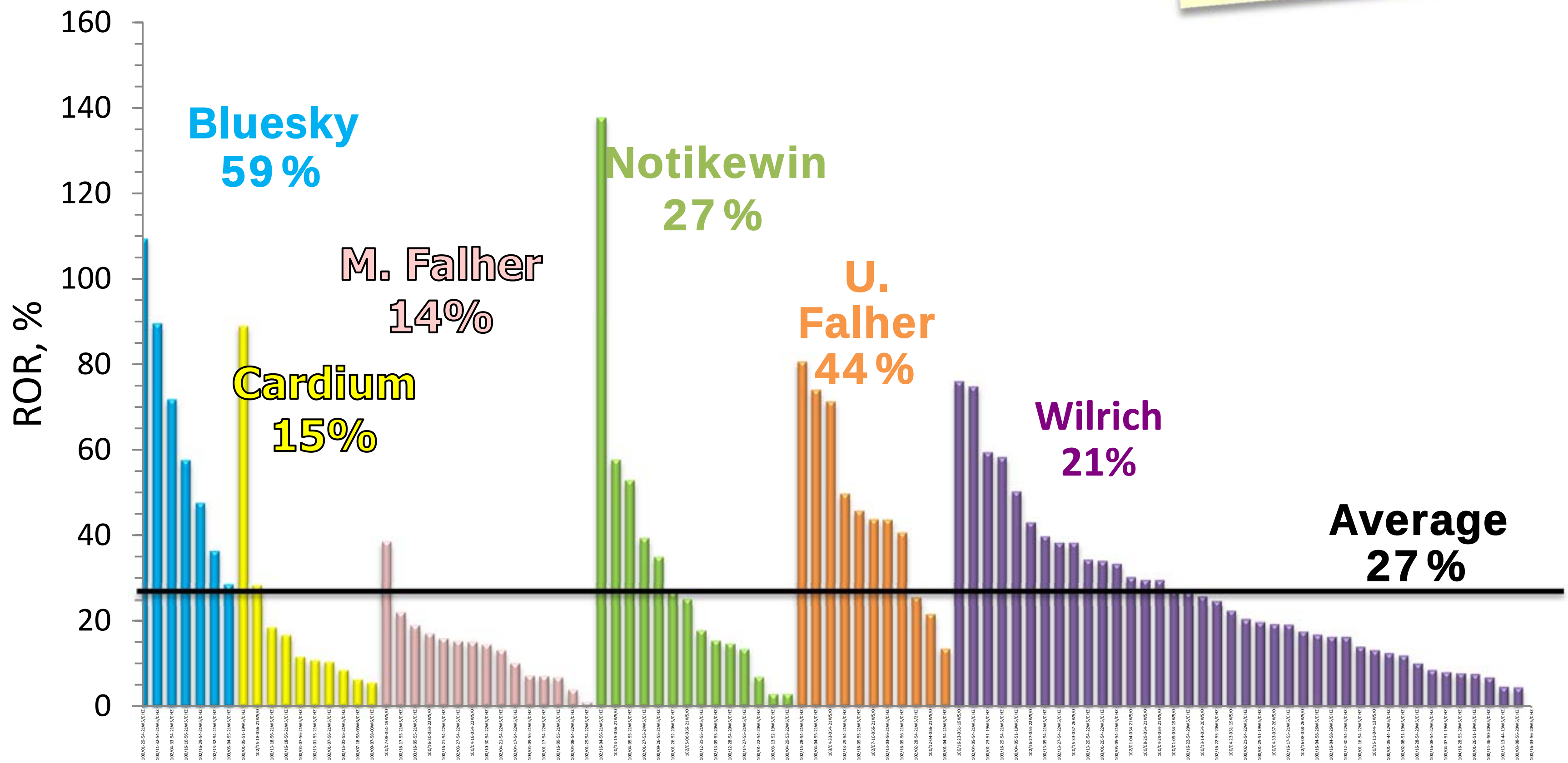


* *Capital Efficiency is the cost to add new production measured at Dec 31 each year. Example: In 2010 , Peyto invested $261MM to build 15,100 boe/d for a capital efficiency of $17,300/boe/d.*

Peyto's Returns

*2013 Full Cycle Real Returns (**NOT** Hypothetical)*

"Peyto reports the actual capital spent, full cycle, and actual result achieved, including the ones that don't work out, so investors understand the real returns we are delivering."



Only 1 well out of 99 will not make back its capital

Includes provision of $930k per well for Facilities, Land and Seismic
Peyto's internal Full Cycle actual IRR on 99 Wells by Species using Insite Dec 31/13 Prices

Peyto's Returns

High Returns On Your Capital And Equity

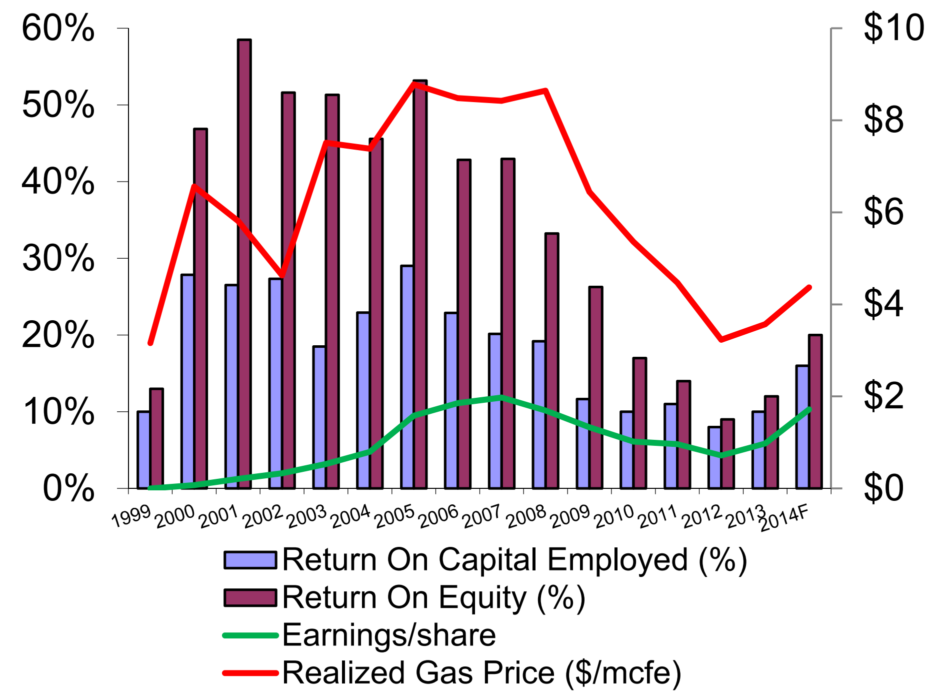
"Investors rarely get to participate in the wells themselves, making those economics somewhat meaningless. ROE and ROCE are the returns investors get, after deducting corporate costs."

34%

15 yr Average ROE

18%

15 yr Average ROCE



Return on Equity (ROE) is earnings for the period divided by average shareholders equity – reveals how much profit a company generates with the money shareholders have invested (15 yrs 1999-2013)

Return on Capital Employed (ROCE) is earnings before interest and tax for the period divided by total assets less current liabilities - indicates the efficiency and profitability of a company's capital investments

Peyto's Returns

Stress Testing Low Commodity Prices

"At $3.00/GJ AECO and CND $50/bbl WTI, some of the returns start to get thinner, even with a significant (20%) reduction in full cycle costs from 2014."

Species		Sundance Cardium	Obed/Pedley/ Nosehill Notikewin	Sundance Upper Falher	Sundance/ Ansell Middle Falher	Sundance/ Edson Wilrich	Sundance Bluesky	Brazeau Wilrich
Full Cycle Well Costs D/C/E/T/F/L/S ($M)	($M)	$3,800	$4,600	$4,400	$4,600	$4,500	$4,800	$5,300
Reserves	BCFe	2.1	3.4	3.7	4.3	3.1	3.6	3.3
IP30	Mcf/d	1,900	6,600	5,000	6,900	4,200	5,000	4,800
GLR	Bbl/mmcf	45	11	31	18	9	15	12
IRR (Full cycle)	**%**	**14%**	**30%**	**24%**	**53%**	**22%**	**32%**	**16%**

"Full Cycle Costs" include drilling, completion, wellsite equipment, tie-in, facilities, land, and seismic
For Peyto, that's an additional $500,000 to $1,000,000 depending on facility requirements.

Peyto’s Future

PEYTO
Exploration & Development Corp.

2015 Outlook

Larger, but with the same result

"We expect to do a record amount of activity in 2015 but now with low oil prices driving lower service costs, expect we an accomplish it for up to 20% less than previous years."

PEYTO
Exploration & Development Corp.

$700M-$750M

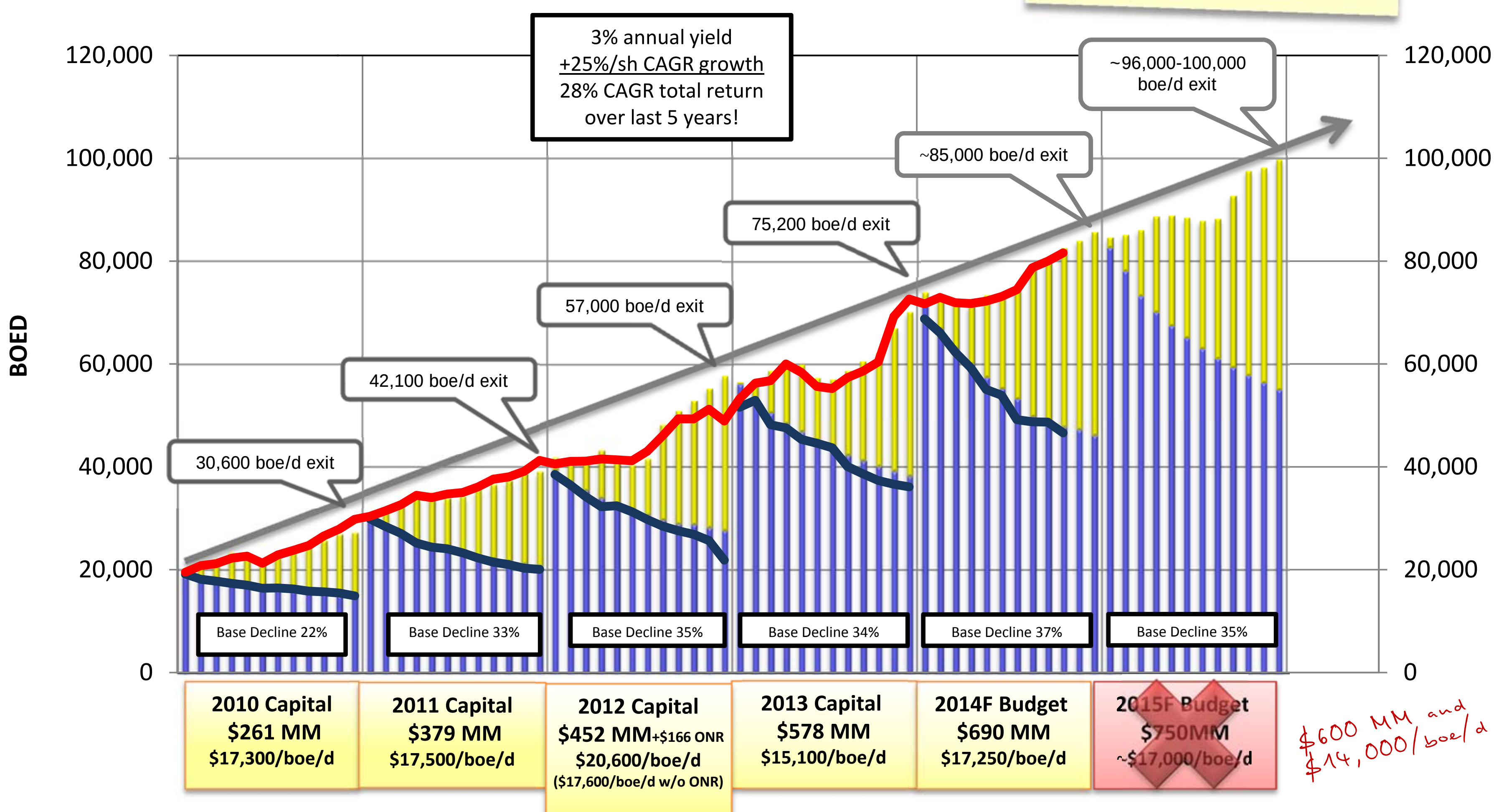
2015 Capital Program

- ✓ **Drill ~130 Gross Hz Wells**
  (100% Hz-MSF, Liquids Rich Natural Gas)
- ✓ **Expand & Extract**
  Increase Processing Capacity & NGL Yield ~120 mmcf/d
- ✓ **Increase**
  Undeveloped Land Base
- ✓ **Shoot**
  Seismic
- ✓ **Acquire**
  Additional Opportunities and Partner Interests

2015 Outlook

Drill Our Way To 100,000 BOE/D!

"Our 2015 budget is the largest so far and assumes we will drill 130 gross (125 net) wells that add ~45,000 boe/d of new production."



$600 MM and $14,000/boe/d

1/20/2015

2015 Outlook

Continuously Improve Profitability

"At Peyto, our cost advantage comes from constantly challenging the status quo on costs. We are always working on ways to improve our profitability."

2015 Goals*

PDP FD&A $/mcfe	<($1.90)
Cash Costs $/mcfe	<($1.00)
Sales Price $/mcfe	$4.10
30% Profit	>$1.20
Dividend $/mcfe	*$1.03*

- 20% service cost reduction
- Drilling off season
- Longer laterals, more stages
- Continuous operations
- Natural gas heated water
- Slow down facility pre-builds

- Chemical optimization
- Improving runtime
- Water handling/disposal
- Pad wellsite/automation
- Lock low interest rates

- Optimize liquids extraction
- Hedging
- AECO $3/GJ & $60/bbl CND

BOE factor - 6 mcfe = 1 bbl of oil equivalent

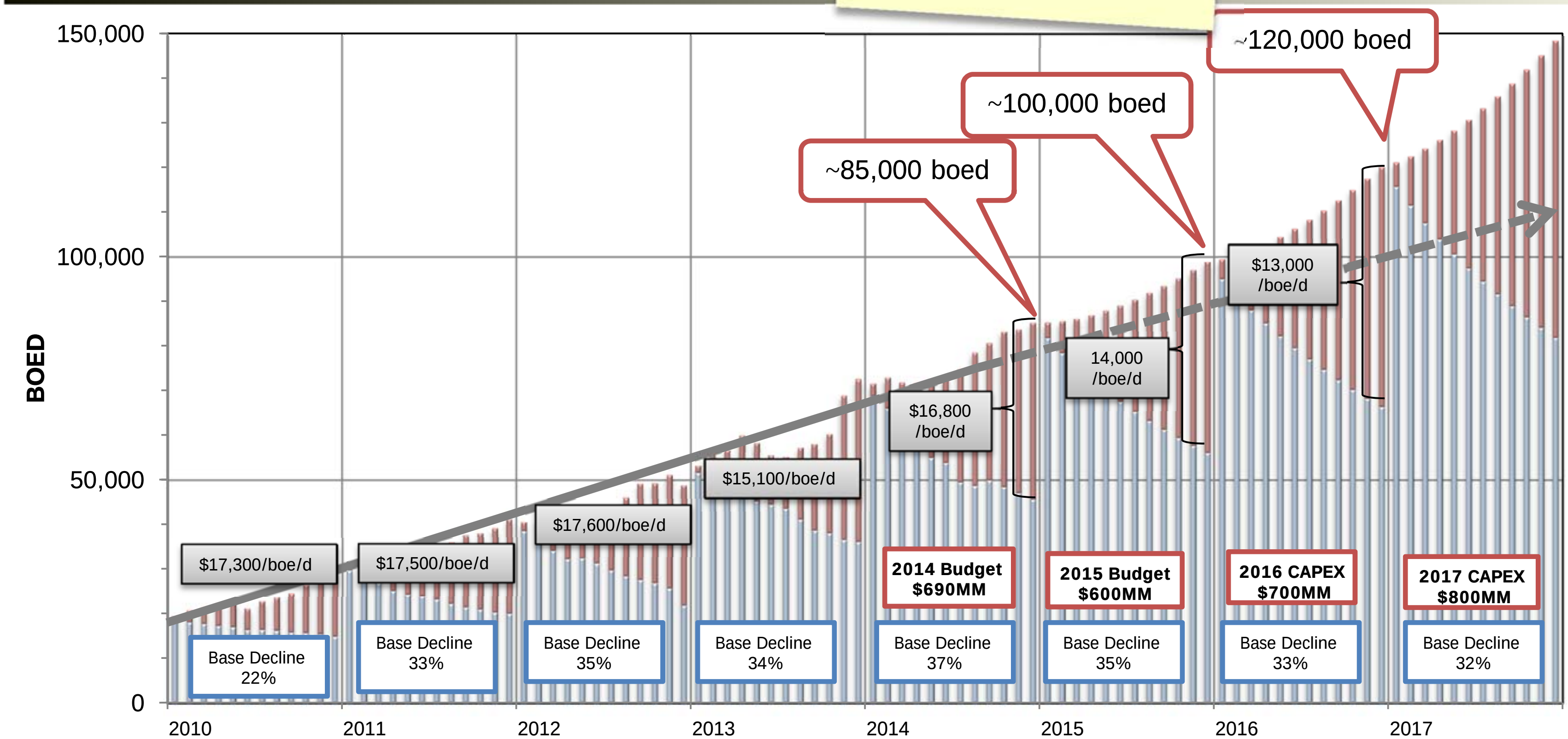
** 2015 goals are not budgeted expectations*

Peyto's Future

Where to from here?

"It's rather astonishing to think that a company of ~50 employees could drill their way from 20,000 to 150,000 boes/d, deploying over $5B!"

PEYTO Exploration & Development Corp.



@$20/boe netback using $3/GJ AECO, $60/bbl CND

Year	Annual Prod.	FFO	CAPEX	Dividend	Net Debt	Debt to FFO	# locations
2014	76,618	$ 671	$ 690	$ 175	$ 998	1.5	125
2015	90,644	$ 662	$ 600	$ 203	$ 1,140	1.7	130
2016	108,340	$ 791	$ 700	$ 203	$ 1,252	1.6	145
2017	133,091	$ 972	$ 800	$ 203	$ 1,284	1.3	165
		$ 3,095	$ 2,790	$ 785			565

*Out of 1,700 currently

** 2015 and beyond provided for illustration only. Budgets and forecasts beyond 2015 have not been finalized and are subject to change due to a variety of factors including but not limited to prior year's results. FFO – Funds from Operations, see definition in Financial Reports. Future illustration derived from historical well performance and cost assumptions.*

Appendix

- Quarterly Track Record
- Tax Pools
- Payout
- Hedging Strategy
- Gas Marketing
- Liquids Marketing
- FAQ

Quarterly Track Record

PEYTO
Exploration & Development Corp.

	2014			2013					2012						
	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	Total	Q4
Operations															
Production															
Oil & NGLs (bbl/d)	7,502	7,568	7,375	6,376	6,984	6,295	6,374	5,840	4,778	5,286	5,236	4,480	4,101	3,856	3,947
Natural gas (mcf/d)	420,538	388,407	389,002	317,622	361,870	300,286	310,621	297,191	238,490	266,808	244,794	221,176	220,811	189,653	212,715
Barrels of oil equivalent (boe/d)	77,592	72,302	72,209	59,313	67,296	56,343	58,144	55,372	44,526	49,754	46,035	41,343	40,903	35,465	39,400
Year over Year % Growth	38%	24%	30%	33%	35%	22%	41%	35%	26%	26%	27%	20%	30%	49%	40%
Average Product Prices															
Oil & NGLs ($/bbl)	71.01	77.30	80.49	70.97	69.84	70.91	67.82	75.88	73.92	73.01	68.62	71.27	84.83	81.67	88.04
Natural gas ($/mcf)	4.18	4.37	4.45	3.54	3.59	3.35	3.72	3.49	3.23	3.45	3.06	2.86	3.53	4.47	4.21
Operating expenses ($/mcfe)	0.46	0.49	0.52	0.47	0.48	0.49	0.47	0.43	0.44	0.42	0.46	0.41	0.45	0.48	0.47
Field Netback ($/mcfe)	4.12	4.32	4.39	3.65	3.67	3.49	3.77	3.67	3.46	3.62	3.29	3.16	3.75	4.46	4.32
Financial ($000)															
Revenue (net of royalties)	196,062	189,830	191,457	535,394	154,167	123,851	134,765	122,612	380,646	111,105	95,410	80,471	93,661	383,496	104,393
Funds from Operations [1]	166,988	161,577	160,785	437,737	125,164	99,736	109,987	102,612	308,865	90,078	76,918	64,732	77,645	314,622	80,410
Net earnings (loss)	68,893	62,159	62,129	142,627	37,989	30,461	37,773	36,405	93,951	25,823	23,058	18,201	26,868	128,183	26,036
Capital expenditures	180,024	151,290	179,378	578,003	154,295	180,801	73,809	169,099	617,985	156,847	317,089	45,924	98,632	379,061	94,688
Net Debt [2]	937,611	880,386	838,495	946,542	946,542	862,864	746,094	749,546	662,461	662,461	683,540	519,328	512,627	465,391	465,391
Common shares outstanding (000)	153,691	153,691	153,691	148,949	148,949	148,759	148,759	148,759	148,519	148,519	143,886	138,486	138,312	137,960	137,960
Weighted average shares	153,691	153,691	151,826	148,738	148,759	148,759	148,759	148,673	141,094	145,450	142,069	138,399	138,312	133,196	133,913
Per share data															
Funds from operations	1.09	1.05	1.06	2.94	0.84	0.67	0.74	0.69	2.19	0.62	0.54	0.47	0.56	2.36	0.60
Earnings (loss)	0.45	0.40	0.41	0.96	0.26	0.21	0.25	0.25	0.67	0.18	0.16	0.13	0.19	0.96	0.19
Dividends (Distributions)	0.30	0.28	0.24	0.88	0.24	0.24	0.22	0.18	0.72	0.18	0.18	0.18	0.18	0.72	0.18

1 Management uses funds from operations to analyze operating performance. In order to facilitate comparative analysis funds from operations is defined throughout this report as earnings before performance based compensation, non-cash and non-recurring expenses. As presented, funds from operations does not have any standardized meaning prescribed by Canadian GAAP.

2 Net debt does not include provision for future performance based compensation, site restoration, abandonment and income taxes.

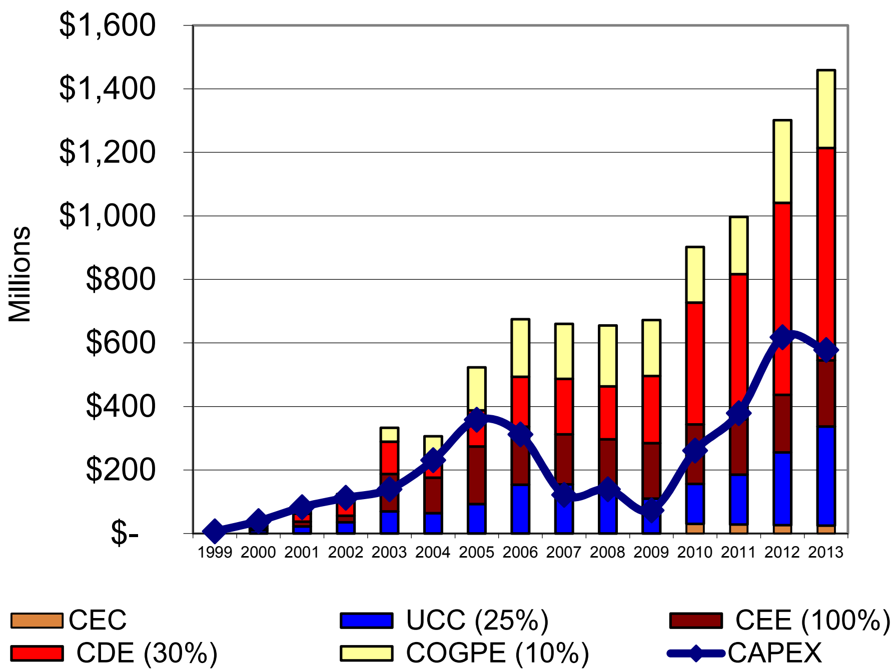
BOE factor - 6 mcf = 1 bbl of oil equivalent

Organic Business Model

Peyto's Tax Pools

"At Peyto, our tax efficiency accumulates the old fashioned way, we build it."

Development Corp.



$1.5B

Federal Tax Pools
Q3/14

$4.0B

Peyto Cum. CapEx
Q3/14

Peyto's Payout
Dividend Sustainability

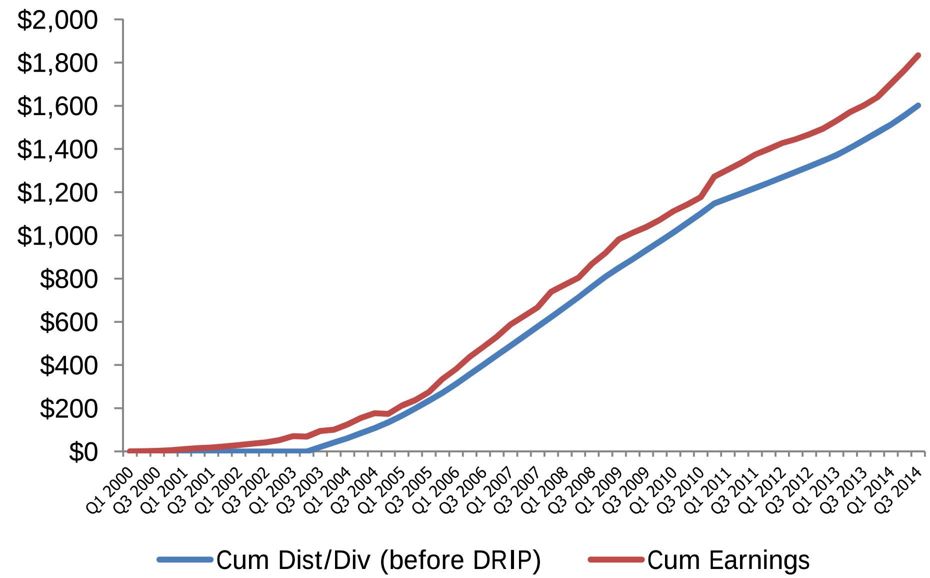
"The best way to ensure sustainable distributions (trust) and dividends (corp.) is to generate earnings. That's where they are supposed to come from and that's where Peyto's come from."

PEYTO
Exploration & Development Corp.

$1.8B
Peyto Cum. Earnings Q3/14

$1.6B
Peyto Cum. Dist/Div. Q3/14

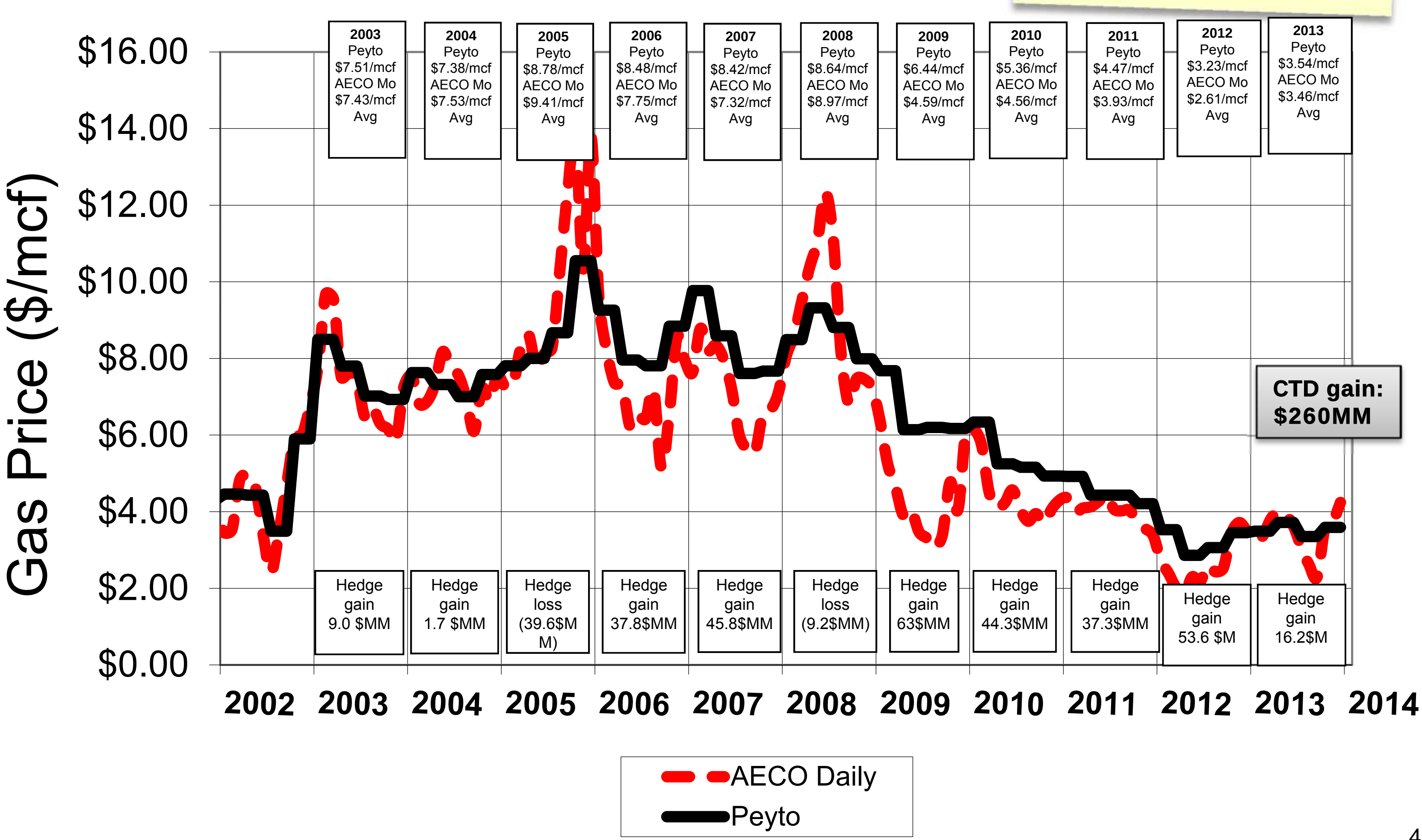
Peyto Dividend Sustainability



Successful Hedging Strategy

Peyto Realized Price History

"The "dollar cost averaging" approach to our forward sales is to smooth out the volatility and avoid speculation. We forward sell up to 65% of gross production over a 24 month period."



Gas Marketing

Future Sales (1 of 3)

"Low risk reserves and production can be forward sold with confidence since you know they will still be there when the time comes."

PEYTO
Exploration & Development Corp.

Financial Hedges - Gas

Date contracted	GJ/d	Pricing ($/GJ)	2013									2014												2015												2016									
			A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O
01-Sep-11	5000	$4.000	•	•	•	•	•	•	•																																				
15-Sep-11	5000	$4.000	•	•	•	•	•	•	•																																				
15-Sep-11	5000	$4.000	•	•	•	•	•	•	•																																				
04-Oct-11	5000	$4.000	•	•	•	•	•	•	•																																				
17-Feb-12	5000	$3.000	•	•	•	•	•	•	•	•	•	•	•	•																															
23-Mar-12	5000	$2.520	•	•	•	•	•	•	•																																				
12-Apr-12	5000	$2.300	•	•	•	•	•	•	•																																				
24-Apr-12	5000	$2.600	•	•	•	•	•	•	•																																				
27-Apr-12	5000	$2.810	•	•	•	•	•	•	•	•	•	•	•	•																															
08-May-12	5000	$3.000	•	•	•	•	•	•	•	•	•	•	•	•																															
29-May-12	5000	$3.105	•	•	•	•	•	•	•	•	•	•	•	•																															
20-Jun-12	5000	$3.058	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•																								
27-Jun-12	5000	$3.100	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•																								
13-Jul-12	5000	$3.000	•	•	•	•	•	•	•	•	•	•	•	•																															
24-Jul-12	5000	$3.105	•	•	•	•	•	•	•	•	•																																		
09-Aug-12	5000	$3.005	•	•	•	•	•	•	•																																				
23-Aug-12	5000	$3.000	•	•	•	•	•	•	•	•	•	•	•	•																															
12-Sep-12	5000	$3.020	•	•	•	•	•	•	•	•	•	•	•	•																															
12-Sep-12	5000	$3.050	•	•	•	•	•	•	•	•	•	•	•	•																															
24-Sep-12	5000	$3.020	•	•	•	•	•	•	•	•	•	•	•	•																															
26-Sep-12	5000	$3.000	•	•	•	•	•	•	•																																				
02-Oct-12	5000	$3.205	•	•	•	•	•	•	•																																				
03-Oct-12	5000	$3.500								•	•	•	•	•	•	•	•	•	•	•	•																								
19-Oct-12	5000	$3.420	•	•	•	•	•	•	•																																				
29-Oct-12	5000	$3.530	•	•	•	•	•	•	•	•	•	•	•	•																															
13-Nov-12	5000	$3.450	•	•	•	•	•	•	•	•	•	•	•	•																															
21-Nov-12	5000	$3.500	•	•	•	•	•	•	•	•	•	•	•	•																															
13-Dec-12	5000	$3.080	•	•	•	•	•	•	•	•	•	•	•	•																															
28-Dec-12	5000	$3.170	•	•	•	•	•	•	•	•	•	•	•	•																															
15-Jan-13	5000	$3.100	•	•	•	•	•	•	•	•	•	•	•	•																															
18-Jan-13	5000	$3.250	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•																								
22-Jan-13	5000	$3.300	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•																								
25-Jan-13	5000	$3.330	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•																								
30-Jan-13	7500	$3.200	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•																								
05-Feb-13	5000	$3.220	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•																								
13-Feb-13	5000	$3.200	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•																								
19-Feb-13	5000	$3.193	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•																								
25-Feb-13	5000	$3.250	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•																								
25-Feb-13	5000	$3.300	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•																								
04-Mar-13	5000	$3.603								•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•																			
07-Mar-13	5000	$3.530								•	•	•	•	•	•	•	•	•	•	•	•																								
14-Mar-13	5000	$3.340				•	•	•	•																																				
15-Mar-13	5000	$3.550					•	•	•	•	•	•	•	•																															
21-Mar-13	5000	$3.710								•	•	•	•	•																															
05-Apr-13	5000	$3.760								•	•	•	•	•																															
05-Apr-13	5000	$3.505													•	•	•	•	•	•	•																								
12-Apr-13	5000	$3.860								•	•	•	•	•																															
17-Apr-13	5000	$3.555													•	•	•	•	•	•	•																								
18-Apr-13	5000	$4.000								•	•	•	•	•																															
07-May-13	5000	$3.480													•	•	•	•	•	•	•																								
13-May-13	5000	$3.810																				•	•	•	•	•																			
22-May-13	5000	$3.900								•	•	•	•	•																															
22-May-13	5000	$3.820													•	•	•	•	•	•	•	•	•	•	•	•																			
13-Jun-13	5000	$3.440													•	•	•	•	•	•	•	•	•	•	•	•																			
18-Jun-13	5000	$3.520													•	•	•	•	•	•	•	•	•	•	•	•																			
19-Jun-13	5000	$3.520								•	•	•	•	•																															
08-Jul-13	5000	$3.473													•	•	•	•	•	•	•	•	•	•	•	•																			
15-Jul-13	5000	$3.525													•	•	•	•	•	•	•	•	•	•	•	•																			
18-Jul-13	5000	$3.600													•	•	•	•	•	•	•	•	•	•	•	•																			
14-Aug-13	5000	$3.103								•	•	•	•	•																															
14-Aug-13	5000	$3.270													•	•	•	•	•	•	•	•	•	•	•	•																			
19-Aug-13	5000	$3.245								•	•	•	•	•																															
20-Aug-13	5000	$3.410													•	•	•	•	•	•	•	•	•	•	•	•																			
03-Sep-13	5000	$3.558													•	•	•	•	•	•	•	•	•	•	•	•																			
03-Sep-13	5000	$3.450								•	•	•	•	•																															

Hedges by year (averaged)

Year	Vol. GJ/d	Price/GJ	Vol. mcf/d	Price/mcf
2014	283,041	3.56	246,123	4.10
2015	265,959	3.66	231,269	4.21
2016	74,809	3.43	65,051	3.94
2017	3,699	2.96	3,216	3.40

•*Assuming an Average Heating Value of 1.15 GJ/mcf for Peyto's gas*

Gas Marketing

Future Sales (2 of 3)

Financial Hedges - Gas

			2013									2014												2015												2016									
Date contracted	GJ/d	Pricing ($/GJ)	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O
11-Sep-13	5000	$3.308								•	•	•	•	•																															
12-Sep-13	5000	$3.465													•	•	•	•	•	•	•	•	•	•	•	•																			
04-Oct-13	5000	$3.250								•	•	•	•	•																															
07-Oct-13	5000	$3.430													•	•	•	•	•	•	•	•	•	•	•	•																			
10-Oct-13	5000	$3.540													•	•	•	•	•	•	•	•	•	•	•	•																			
11-Oct-13	5000	$3.500									•	•	•	•																															
24-Oct-13	5000	$3.335													•	•	•	•	•	•	•																								
25-Oct-13	5000	$3.500													•	•	•	•	•	•	•	•	•	•	•	•																			
04-Nov-13	5000	$3.100													•	•	•	•	•	•	•																								
12-Nov-13	5000	$3.250													•	•	•	•	•	•	•	•	•	•	•	•																			
12-Nov-13	5000	$3.250													•	•	•	•	•	•	•	•	•	•	•	•																			
15-Nov-13	5000	$3.230													•	•	•	•	•	•	•	•	•	•	•	•																			
20-Nov-13	5000	$3.230													•	•	•	•	•	•	•	•	•	•	•	•																			
20-Nov-13	5000	$3.230													•	•	•	•	•	•	•	•	•	•	•	•																			
21-Nov-13	5000	$3.310													•	•	•	•	•	•	•	•	•	•	•	•																			
22-Nov-13	5000	$3.295										•	•	•																															
22-Nov-13	5000	$3.353													•	•	•	•	•	•	•	•	•	•	•	•																			
25-Nov-13	5000	$3.400													•	•	•	•	•	•	•	•	•	•	•	•																			
25-Nov-13	5000	$3.350										•	•	•																															
27-Nov-13	5000	$3.490													•	•	•	•	•	•	•	•	•	•	•	•																			
27-Nov-13	5000	$3.285																									•	•	•	•	•	•	•												
03-Dec-13	5000	$3.510										•	•	•																															
03-Dec-13	5000	$3.540													•	•	•	•	•	•	•	•	•	•	•	•																			
03-Dec-13	5000	$3.300																									•	•	•	•	•	•	•												
03-Dec-13	5000	$3.350																									•	•	•	•	•	•	•												
05-Dec-13	5000	$3.600										•	•	•																															
05-Dec-13	5000	$3.610													•	•	•	•	•	•	•	•	•	•	•	•																			
09-Dec-13	5000	$3.650										•	•	•																															
09-Dec-13	5000	$3.700													•	•	•	•	•	•	•	•	•	•	•	•																			
19-Dec-13	5000	$3.750													•	•	•	•	•	•	•	•	•	•	•	•																			
19-Dec-13	5000	$3.400																									•	•	•	•	•	•	•												
20-Dec-13	5000	$3.700											•	•																															
30-Dec-13	5000	$3.800											•	•																															
03-Jan-14	5000	$3.810													•	•	•	•	•	•	•	•	•	•	•	•																			
06-Jan-14	5000	$3.470																									•	•	•	•	•	•	•												
07-Jan-14	5000	$3.900											•	•																															
07-Jan-14	5000	$3.800													•	•	•	•	•	•	•																								
14-Jan-14	5000	$3.850											•	•																															
16-Jan-14	5000	$3.830													•	•	•	•	•	•	•	•	•	•	•	•																			
16-Jan-14	5000	$3.480																									•	•	•	•	•	•	•												
21-Jan-14	5000	$3.825													•	•	•	•	•	•	•																								
21-Jan-14	5000	$3.950																				•	•	•	•	•																			
23-Jan-14	5000	$3.950													•	•	•	•	•	•	•																								
23-Jan-14	5000	$4.050																				•	•	•	•	•																			
24-Jan-14	5000	$4.150												•																															
24-Jan-14	5000	$4.240												•																															
28-Jan-14	5000	$3.980													•	•	•	•	•	•	•																								
28-Jan-14	5000	$3.520																									•	•	•	•	•	•	•												
28-Jan-14	5000	$4.120																				•	•	•	•	•																			
31-Jan-14	5000	$4.200																				•	•	•	•	•																			
31-Jan-14	5000	$4.070													•	•	•	•	•	•	•																								
04-Feb-14	5000	$5.100												•																															
04-Feb-14	5000	$4.320													•	•	•	•	•	•	•																								
04-Feb-14	5000	$4.440																				•	•	•	•	•																			
13-Feb-14	5000	$4.350													•	•	•	•	•	•	•																								
19-Feb-14	5000	$4.585																				•	•	•	•	•																			
19-Feb-14	5000	$4.780																				•	•	•	•	•																			
28-Feb-14	5000	$4.550													•	•	•	•	•	•	•																								
06-Mar-14	5000	$4.420													•	•	•	•	•	•	•																								
06-Mar-14	5000	$4.600																				•	•	•	•	•																			
14-Mar-14	5000	$4.580																				•	•	•	•	•																			
14-Mar-14	5000	$3.700																									•	•	•	•	•	•	•												
27-Mar-14	5000	$4.680																				•	•	•	•	•																			
27-Mar-14	5000	$3.750																									•	•	•	•	•	•	•												
03-Apr-14	5000	$3.918																									•	•	•	•	•	•	•	•	•	•	•	•							

•*Assuming an Average Heating Value of 1.15 GJ/mcf for Peyto's gas*

Gas Marketing

Future Sales (3 of 3)

PEYTO
Exploration & Development Corp.

Financial Hedges - Gas

Date contracted	GJ/d	Pricing ($/GJ)
09-Apr-14	5000	$4.680
09-Apr-14	5000	$3.930
15-Apr-14	5000	$4.000
17-Apr-14	5000	$4.800
29-Apr-14	5000	$4.870
30-Apr-14	5000	$4.050
15-May-14	5000	$4.500
15-May-14	5000	$3.915
21-May-14	5000	$3.780
27-May-14	5000	$3.790
28-May-14	5000	$4.570
04-Jun-14	5000	$3.910
12-Jun-14	5000	$4.690
12-Jun-14	5000	$3.865
24-Jun-14	5000	$4.500
24-Jun-14	5000	$3.750
03-Jul-14	5000	$3.730
03-Jul-14	5000	$4.260
09-Jul-14	5000	$3.700
11-Jul-14	5000	$4.100
24-Jul-14	5000	$3.860
24-Jul-14	5000	$3.560
29-Jul-14	5000	$3.850
29-Jul-14	5000	$3.570
31-Jul-14	5000	$3.900
31-Jul-14	5000	$3.620
06-Aug-14	5000	$4.000
06-Aug-14	5000	$3.700
14-Aug-14	5000	$4.000
14-Aug-14	5000	$3.700
19-Aug-14	5000	$4.000
19-Aug-14	5000	$3.700
28-Aug-14	5000	$3.710
08-Sep-14	5000	$3.903
08-Sep-14	5000	$3.670
09-Sep-14	5000	$4.050
09-Sep-14	5000	$3.740
15-Sep-14	5000	$3.720
15-Sep-14	5000	$4.010
24-Sep-14	5000	$3.940
24-Sep-14	5000	$3.700
25-Sep-14	5000	$4.030
25-Sep-14	5000	$3.710
29-Sep-14	5000	$4.123
29-Sep-14	5000	$3.750
07-Oct-14	5000	$3.650
23-Oct-14	5000	$3.610
23-Oct-14	5000	$3.410
28-Oct-14	5000	$3.570
28-Oct-14	5000	$3.410
29-Oct-14	5000	$3.370
30-Oct-14	5000	$3.630
30-Oct-14	5000	$3.450
31-Oct-14	5000	$3.710
31-Oct-14	5000	$3.500
04-Nov-14	5000	$3.850
04-Nov-14	5000	$3.580
04-Nov-14	5000	$3.430
06-Nov-14	5000	$4.180
06-Nov-14	5000	$3.650
13-Nov-14	5000	$3.400
17-Nov-14	5000	$3.515
20-Nov-14	5000	$3.450
24-Nov-14	5000	$3.450
24-Nov-14	5000	$3.350
01-Dec-14	5000	$3.400
01-Dec-14	5000	$3.350
05-Dec-14	5000	$3.300
10-Dec-14	5000	$3.250
10-Dec-14	5000	$3.240
12-Dec-14	5000	$3.305
23-Dec-14	5000	$2.750
23-Dec-14	5000	$3.050
09-Jan-15	5000	$2.753
13-Jan-15	5000	$2.950
13-Jan-15	5000	$2.950
14-Jan-15	5000	$2.970

Avg (Gas only)	2013 J F M	2013 A M J J A S O	N D J F M	2014 A M J J A S O	N D J F M	2015 A M J J A S O	N D J F M	2016 A M J J A S O	N D J F M	2017 A M J J A S O
Avg GJ/d	151,000	197,500	239,500	282,500	331,000	260,000	185,000	45,000	15,000	0
Avg $ per GJ	$3.22	$3.20	$3.34	$3.53	$3.88	$3.56	$3.57	$3.23	$2.96	$0.00
Avg mcf/d	131,300	171,700	208,300	245,700	287,800	226,100	160,900	39,100	13,000	0
Avg $ per mcf	$3.70	$3.68	$3.85	$4.06	$4.47	$4.10	$4.11	$3.72	$3.40	$0.00

•*Assuming an Average Heating Value of 1.15 GJ/mcf for Peyto's gas*

FAQ

Frequently Asked Questions

PEYTO
Exploration & Development Corp.

1. Peyto has had some spectacular growth over the last five years, how can that growth continue?

The profitable growth in production, reserves and funds from operations per share that we've experienced over the last four years is the result of achieving very good rates of return and improved capital efficiency on large capital programs. Much of that improvement is due to a shift to horizontal well development on our traditional tight gas resource plays which has resulted in quicker payout and faster reinvestment of capital, thus driving greater sustained growth. Peyto's superior assets and strong core competency within its technical team continue to yield undeveloped opportunities faster than we can develop them, further expanding our inventory of undeveloped opportunities.

2. Why is Peyto pursuing such high growth levels at low natural gas prices?

Peyto's strategy has always been to maximize returns for shareholders. Our low full cycle development costs and our low producing costs are the foundation for this return and provide robust economics through a spectrum of natural gas prices. History has shown us that when natural gas and oil prices rise, so too do service costs and industry activity levels. This results in much greater development costs and effectively the same rates of return being generated for higher natural gas prices. The problem is that prices tend to be cyclical and do not necessarily stay high to justify higher development costs. Peyto takes a counter-cyclical investment strategy and invests aggressively when gas prices are low, ensuring costs are also at their lowest and returns are at their highest.

3. What will the corporate decline rate be going forward with this growth?

As we've shown in previous analysis (President's Monthly Report May 2011), the only way for our base decline to rise is for us to deploy ever greater capital programs and combine larger volumes of new high-decline production with older low-decline production. In fact, we would have to increase the capital program by 35% or more every year just to hold the current corporate decline flat, otherwise it is expected to naturally come down over time, making it easier to grow.

4. How can this growth be funded in a low gas price environment?

Peyto is the lowest cost producer in Canada. That fact combined with our high heat content, liquids rich natural gas means we generate some of the highest netbacks of any gas weighted producer. By comparison, our netbacks rival those of much oilier companies and allows us to fund the bulk of our capital program and our dividend from our Funds from Operations. The remaining balance of our large capital programs can be funded from the strength of our balance sheet while maintaining a safe and conservative level of debt. As the value of our producing asset base grows, so does the amount of debt we can safely carry against it.

5. What is the end game with Peyto?

The strategy at Peyto has always been about recovering the maximum returns for shareholders on the capital we put to work. Everyday we produce and sell our reserves for more than it cost us to build them. Over the company's history this proven strategy has resulted in the largest shareholder "IRR" of any energy company on the TSX and a track record of 16 consecutive years of positive earnings. As long as there are future returns to be generated, Peyto will be hard at work.

6. How much running room is there in terms of locations relative to some of the other Deep Basin players?

Not all land holdings or drilling inventories are the same amongst industry competitors. Likewise, the means by which future locations are funded and when they are developed plays a large part in the real returns that shareholders ultimately realize. At Peyto, we have as many as 10 years of high quality drilling inventory in front of us with several more initiatives in the Deep Basin currently underway which could extend this timeline. Our proven track record of using internal funding to "build it for less than we sell it" in a timely manner will play a large part in ensuring these future opportunities generate accretive returns for shareholders.